A/73/5/Add.7

United Nations

Fund of the United Nations Environment Programme

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-third Session
Supplement No. 5G

Please recycle

General Assembly
Official Records
Seventy-third Session
Supplement No. 5G

A/73/5/Add.7

Fund of the United Nations Environment Programme

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

United Nations • New York, 2018

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0257-0815

Contents

Chapter		*Page*
	Letters of transmittal	4
I.	Report of the Board of Auditors on the financial statements: audit opinion	6
II.	Long-form report of the Board of Auditors	9
	Summary	9
	A. Mandate, scope and methodology	11
	B. Findings and recommendations	13
	1. Follow-up of previous years' recommendations	13
	2. Financial overview	13
	3. Revenue management	15
	4. Programme and project management	15
	5. Overview of internal controls in Umoja	17
	6. Implementation of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat	19
	C. Disclosures by management	20
	1. Write-off of cash, receivables and property	20
	2. Ex gratia payments	20
	3. Cases of fraud and presumptive fraud	20
	D. Acknowledgement	21
	Annex Status of implementation of recommendations up to the year ended 31 December 2016	22
III.	Certification of the financial statements	29
IV.	Administration's financial overview for the year ended 31 December 2017	30
	A. Introduction	30
	B. International Public Sector Accounting Standards sustainability plan	30
	C. Overview of the financial statements of the year ended 31 December 2017	31
	D. End-of-service and post-retirement accrued liabilities	34
V.	Financial statements and related explanatory notes for the year ended 31 December 2017	35
	I. Statement of financial position as at 31 December 2017	35
	II. Statement of financial performance for the year ended 31 December 2017	36
	III. Statement of changes in net assets for the year ended 31 December 2017	37
	IV. Statement of cash flows for the year ended 31 December 2017	38
	V. Statement of comparison of budget and actual amounts for the year ended 31 December 2017	39
	Notes to the 2017 financial statements	40

Letter dated 31 March 2018 from the Executive Director of the United Nations Environment Programme addressed to the Chair of the Board of Auditors

In accordance with regulation 6.2 and rule 106.1 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial report and accounts of the United Nations Environment Programme, including associated trust funds and other related accounts, for the year ended 31 December 2017, which I hereby approve on the basis of the attestations of the Chief Finance Officer, the United Nations Office Nairobi and the Chief, Financial Management Services, United Nations Environment Programme.

Copies of these financial statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Erik **Solheim**
Executive Director
United Nations Environment Programme

Letter dated 24 July 2018 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Environment Programme for the year ended 31 December 2017.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the Fund of the United Nations Environment Programme (UNEP), which comprise the statement of financial position (statement I) as at 31 December 2017, the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget to actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNEP as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UNEP, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

The Executive Director of UNEP is responsible for the other information, which comprises the financial report for the year ended 31 December 2017, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Executive Director of UNEP is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of UNEP to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting, unless management intends either to liquidate UNEP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNEP.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNEP.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNEP to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNEP to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNEP that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNEP.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
(Lead Auditor)

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

24 July 2018

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Environment Programme (UNEP) is mandated to assist and support Member States to protect the environment by inspiring, informing and giving them the means to improve the living standards of their populations without compromising those of future generations. UNEP headquarters is in Nairobi, but it has a global presence of six regional offices, eight liaison offices and collaborative arrangements and secretariat functions in several other countries. It has 1,278 staff members, 449 of whom are based in Nairobi.

The audit was conducted primarily to enable the Board of Auditors to form an opinion as to whether the financial statements present fairly the financial position of UNEP as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNEP operations in accordance with financial regulation 7.5 of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The report also includes a brief commentary on the status of implementation of the previous years' recommendations.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements of UNEP for the year ended 31 December 2017. The Board's opinion is reflected in chapter I of the present report.

Overall conclusion

The Board found no major deficiencies in the area of operation and financial management. However, the Board identified scope for improvement in some areas, including management of voluntary contribution pledges, information and communications technology, project financial information in Umoja and addressing challenges reported by project managers in the Programme Information Management System (PIMS).

Key findings

The Board has identified a number of issues that need to be considered by management in order to enhance the effectiveness of UNEP operations. In particular, the Board highlights the key findings set out below.

Inadequate management of voluntary contributions data

The accounts receivable report as of 12 November 2017 included receivables amounting to $154.2 million from more than 300 donor agreements that were outstanding from 2015. However, UNEP did not maintain a database that could be used to analyse the amount receivable from voluntary contributions in accordance with their

schedules of payments, based on the agreements between UNEP and donors, in order to facilitate confirmation of the receivables due dates. This is an area for improvement that requires management attention. The Board considers that an analysis is necessary in order to provide more details on overdue receivables and therefore facilitate close management follow-up of donors with outstanding contributions, as required under the revised UNEP programme manual (2016).

Inadequate project management

The Board noted inadequate management actions and mechanisms to address challenges related to project administrative issues reported by project managers in PIMS. For example, no adequate action plan was in place in PIMS for efficient monitoring and follow-up of action to be taken to resolve challenges that were reported. The challenges yet to be included in the action plan and hence not addressed included delays in implementation of projects owing to legal issues, delays in human resources recruitment and procurement, lack of technical capacity of implementing partners and issues relating to clarity of ownership of implemented projects.

Incomplete project financial information in Umoja

On the basis of its review of 135 projects and related financial information in Umoja for 2017 and in PIMS, the Board noted that 8 projects (6 per cent) lacked relevant financial data in Umoja. Missing information included the amount of funds disbursed to implementing partners, total expenditures incurred and fund balances, the lack of which is mainly caused by inadequate internal controls of the recording of project financial information. The Board considers that this deficiency may affect the accuracy of financial reports generated from the system and limit the evaluation of the financial performance of individual projects.

Inadequate segregation of duties in Umoja access provisioning

From its review of a list of all users and their roles in Umoja, the Board determined that 51 users were granted conflicting roles contrary to the Umoja enterprise role guide and best practices in applying segregation of duties principles. For example, some users were granted multiple roles in a number of functionalities, such as the "source to acquire" enterprise roles of requisitioner, buyer, approver and low value acquisitioner, while 2 users were granted both certifying and approving roles. Inadequate segregation of duties means that staff can perform incompatible roles, thereby posing the risk of fraud and errors resulting from a lack of internal checks.

Recommendations

The Board's main recommendations are that UNEP:

(a) (i) Establish a mechanism to be used to identify receivables from voluntary contributions on regular basis and analyse them according to their due dates;

(ii) Institute a mechanism to ensure regular communication and follow-up of all overdue pledges, as required under the revised UNEP programme manual (2016);

(b) Expedite the introduction of a mechanism that will adequately reflect project administrative and ownership challenges in management action plans and follow-up in order to ensure that comprehensive management action is taken to address the challenges identified;

(c) (i) Introduce a mechanism to enforce prompt recording of all project financial information in Umoja and regularly update the project financial data in the system;

(ii) Introduce a regular review of project information in Umoja to verify the correctness and completeness of project data;

(iii) Ensure that all transactions in Umoja are linked to a valid and approved project in support of the programme of work;

(d) (i) In collaboration with the United Nations Office at Nairobi, review all the roles that have been granted in Umoja and eliminate all conflicting roles granted to users;

(ii) Establish procedures to ensure that all user roles are reviewed regularly by process owners to ensure that they are commensurate with job descriptions and are not conflicting.

Key facts	
$153.24 million	Original Environment Fund and regular budget
$88.47 million	Final Environment Fund and regular budget
$655.92 million	Revenue
$562.24 million	Expenses
1,278	Staff members

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the Fund of UNEP and reviewed its operations for the financial period ended 31 December 2017 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Fund of UNEP as at 31 December 2017 and its financial performance and cash flows for the financial period then ended, and that they have been properly prepared in accordance with IPSAS. The audit included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies, and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules. It also included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. The Board also reviewed UNEP operations under financial regulation 7.5, which allows the Board to make observations on the efficiency of the financial procedures,

the accounting system, the internal financial controls and, in general, the administration and management of UNEP operations.

4. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNEP management, whose views have been appropriately reflected in the report.

United Nations Environment Programme: background

5. UNEP is the designated authority of the United Nations system with respect to environmental issues at the global and regional levels. Its mandate is to coordinate the development of environmental policy consensus by keeping the global environment under review and bringing emerging issues to the attention of Governments and the international community for action. The mandate and objectives of UNEP emanate from General Assembly resolution 2997 (XXVII) of 15 December 1972 and subsequent amendments adopted at the United Nations Conference on Environment and Development in 1992, the Nairobi Declaration on the Role and Mandate of UNEP, adopted at the nineteenth session of the UNEP Governing Council, and the Malmö Ministerial Declaration of 31 May 2000. It was founded as a result of the United Nations Conference on the Human Environment in June 1972 and has its headquarters in Nairobi.

6. UNEP is the leading global environmental authority which sets the global environmental agenda, promotes coherent implementation of the environmental dimension of sustainable development within the United Nations system and serves as an authoritative advocate for the global environment. Headquartered in Nairobi, UNEP works through its divisions, regional, liaison and out-posted offices, plus a growing network of collaborating centres of excellence. UNEP also hosts several environmental conventions, secretariats and inter-agency coordinating bodies.

7. The United Nations Office at Nairobi provides administrative and financial services to UNEP, including procurement, human resources and information and communications technology. Many of the recommendations made by the Board to UNEP require joint action with the United Nations Office at Nairobi.

Global Environment Facility

8. UNEP is an implementing agency of the Global Environment Facility (GEF), which funds projects in developing countries on biodiversity, climate change, international waters, land degradation, ozone layer depletion and persistent organic pollutants. GEF receives voluntary contributions from 15 Member States. The adoption and evaluation of the programmes of GEF are the responsibility of its Council.

9. UNEP manages the funds allocated to it from GEF through five trust funds, which are subject to annual audits by the Board. For the financial year ended 31 December 2017, the trust funds collected total revenue of $140.53 million and incurred total expenses of $95.54 million. The Board also provides an annual audit opinion on these trust funds at the request of UNEP and the World Bank, which is the GEF Trustee.

Multilateral environmental agreements

10. Over the years, UNEP activities have given rise to a number of conventions and associated protocols on major environmental challenges. These have generated multilateral environmental agreements, each requiring countries to develop specific mechanisms and fulfil agreed obligations for improving the environment. UNEP

provides the secretariat functions to 15 multilateral environmental agreements and discloses in its financial statements the transactions of the trust funds it manages directly, in support of the activities of the agreements and conventions in 'implementing their agreed protocols and programmes. The Board's audit of UNEP includes an examination of balances relating to multilateral environmental agreements.

B. Findings and recommendations

1. Follow-up of previous years' recommendations

11. Of the 17 recommendations outstanding as at 31 December 2016, 8 recommendations (47 per cent) have been implemented, 8 recommendations (47 per cent) are still under implementation and 1 recommendation (6 per cent) has not been implemented. The recommendation that has not been implemented requires management to expedite the implementation of enterprise risk management to ensure an effective and efficient risk management process. Details on the status of implementation of these recommendations are set out in the annex.

2. Financial overview

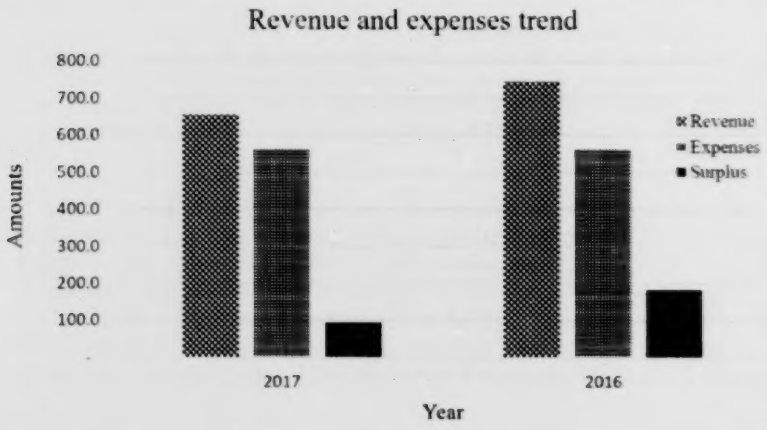
Financial performance and position

12. In 2017, UNEP reported total revenue of $655.92 million (2016: $745.70 million) and total expenses of $562.24 million (2016: $562.26 million), resulting in a surplus of $93.68 million (2016: $183.43 million). The decrease in surplus was mainly attributed to the decrease in voluntary contributions and allocations received from United Nations internal funds of $12.41 million and $105.94 million, respectively. Total assets as at 31 December 2017 amounted to $1,863.18 million (2016: $1,750.52 million), comprising current assets of $1,107.58 million (2016: $1,035.28 million) and non-current assets of $755.60 million (2016: $715.24 million). Total liabilities amounted to $402.79 million (2016: $336.29 million), resulting in net assets of $1,460.38 million (2016: $1,414.23 million).

13. A comparison of revenue and expenses for the financial years 2016 and 2017 is illustrated in the figure below.

Financial performance pattern

(Millions of United States dollars)



Source: UNEP financial statements for 2017.

Revenue analysis

14. Voluntary contributions form a major part of the revenues of UNEP. During 2017, UNEP received total contributions of $478.50 million (2016: $480.34 million),[1] of which $254.25 million (2016: $266.65 million),[2] equivalent to 53 per cent, represents voluntary contributions from various donors. The remaining $224.26 million (2016: $213.69 million), equivalent to 47 per cent, represents assessed contributions from Member States. In the current year, voluntary contributions decreased by $12.41 million (5 per cent). The decrease in revenue was largely attributed to the decline in the voluntary contributions from donors and other United Nations entities in 2017.

15. Grants and other transfers for the period amounted to $281.43 million (2016: $262.02 million), which accounts for 50 per cent of the total expenses of $562.24 million. The reported amount of grants and transfers includes outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects.

Ratio analysis

16. Table II.1 contains key financial ratios analysed from the UNEP financial statements, mainly from the statement of financial position.

Table II.1
Ratio analysis

Description of ratio	*31 December 2017*	*31 December 2016*
Current ratio[a]		
Current assets: current liabilities	5.41	5.17
Total assets: total liabilities[b]	4.63	5.21
Cash ratio[c]		
Cash plus investments: current liabilities	2.66	2.35
Quick ratio[d]		
Cash plus investments plus accounts receivable: current liabilities	4.08	3.69

Source: UNEP 2017 financial statements.

[a] A high ratio (defined as greater than 1:1) indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash; a higher ratio means a more liquid current position.

17. The analysis of ratios above indicates the healthy financial position of UNEP as at 31 December 2017. UNEP has a strong liquidity position as indicated by current, quick and cash ratios. In addition, while slightly reduced, the solvency of UNEP remains strong as measured by the ratio of total assets to total liabilities. During the year under review, the revenue of UNEP decreased by $89.78 million, with a slight decrease in expenses of $0.028 million, resulting in a surplus of $93.68 million. Total assets increased by $112.67 million or 6.4 per cent, while total liabilities recorded an

[1] The reported total contribution in 2016 was $712.58 million; this is a restated amount.

[2] The reported voluntary contribution in 2016 was $498.89 million; this is a restated amount.

increase of $66.5 million or 19.8 per cent. A combination of all these fluctuations resulted in the improved liquidity and decrease in solvency ratios for UNEP in 2017.

3. Revenue management

Inadequate management of voluntary contributions data

18. UNEP funding is through assessed and voluntary contributions. For the period under review, voluntary contributions accounted for 53 per cent of the total revenue. Voluntary contributions have decreased from $266.65 million in 2016 to $254.25 million in 2017. In its account receivables report as of 12 November 2017, UNEP included receivables amounting to $154.2 million relating to more than 300 donor agreements that were outstanding from 2015 and prior years. However, UNEP did not maintain a database that could be used to analyse the amount receivable from voluntary contributions in accordance with their schedules of payments in order to facilitate confirmation of the receivables due dates. The Board considers that an analysis is necessary for management to monitor the overdue receivables and conduct the necessary follow-up with donors.

19. UNEP explained that at the time of conversion from legacy systems to Umoja, all accounts receivables were converted as due in 2015. It also stated that, in collaboration with the United Nations Office at Nairobi, it has reviewed all agreements above $100,000 to record the correct due dates. Duplicate entries of receivables have been cancelled and outstanding receivables have been reduced from $91 million in August 2017 to $9 million in April 2018.

20. The Board takes note of management initiatives but considers that the review of receivables, the removal of duplicates and the follow-up of outstanding pledges with donors need to be done on a regular and proactive basis. The Board is of the view that the explained initiative can only be sustained by a well-defined mechanism to support the requirement of the UNEP programme manual (2016) to maintain a close relationship with donors during project implementation to ensure the efficient development and implementation of projects and receipt of necessary funds.

21. **The Board recommends that UNEP (a) establish a mechanism to be used to identify receivables from voluntary contributions on regular basis and analyse them according to their due dates; and (b) institute a mechanism to ensure regular communication and follow-up of all overdue pledges, as required under the UNEP programme manual (2016).**

4. Programme and project management

Inadequate project management

22. During its audit, the Board noted that project managers reported various challenges in the Programme Information Management System (PIMS) for 13 of 49 ongoing projects under the Division of Technology, Industry and Economics. However, there were inadequate management actions and mechanisms to address these challenges. For example, no adequate action plan was in place for efficient monitoring and follow-up of actions to be taken to resolve the reported challenges. The reported issues included delays in implementation of projects owing to legal issues, delays in human resources recruitments and procurement and delays by implementing partners owing to inadequate capacity such as the personnel required to take responsibility for project activities at all times, when required (lack of project ownership).

23. Lack of an adequate action plan and follow-up to address project administrative challenges expose UNEP to the risks of failure to achieve intended project milestones

at a given period of time and could negatively affect the implementation of the programme of work and delivery of projects.

24. Management explained that it was in the process of introducing a twice-yearly reporting system that would be operationalized and tested at the end of February 2018. The system is supported by an ad hoc template designed by the Division and would be incorporated in the delegation of authority compliance monitoring system, which would allow senior management to take stock of the reported challenges and thereby to identify adequate managerial measures to be taken to seek possible solutions.

25. **The Board recommends that UNEP expedite the introduction of a mechanism that will adequately reflect project administrative and ownership challenges in management action plans and follow-up in order to ensure that comprehensive management action is taken to address the challenges identified.**

Incomplete project financial information in Umoja

26. According to the UNEP programme manual (2016), fund management officers are required to record expenditures based on reports submitted by implementing partners, monitor the project's financial performance and take any necessary management actions (e.g. budget revisions or adjustment). Fund management officers are also required to ensure that expenditures are correctly recorded in Umoja and to facilitate cash transfers if reports are satisfactory. Programme/project managers have a responsibility to ensure that all activities carried out adhere to the approved projects in support of the programme of work.

27. From the review of all 135 ongoing projects (total approved budget of $764 million) and the related financial information in Umoja, as well as individual project progress reports in PMIS for 2017, the Board noted that 8 projects (budget of $42.6 million) had no relevant financial data in Umoja. Missing information included the amount of funds disbursed to implementing partners, total expenditure incurred and the balance of funds available. The 8 projects included 1 project (ID 01628) with expenditure of $12 million as of June 2016 as per PIMS records and a completion date of December 2017, which also lacked expenditure records in the Umoja system.

28. The Board also noted cases in which work breakdown structure elements (WBSE) for three projects shown in PIMS were not correctly used in Umoja; instead, different WBSEs were created in Umoja for each project. For example, the WBSE with Umoja ID SB-006230 in PIMS was allocated a budget with Umoja ID SB-006772 in Umoja. Using WBSEs in Umoja that are different from those in PIMS means that information in Umoja may not reflect valid approved projects in support of the programme of work.

29. The Board considers that the noted deficiency is mainly caused by inadequate internal controls of the recording of project financial information by fund management officers and a lack of regular review of information in the system to confirm the correctness and completeness of the project data. Incomplete project financial information in Umoja may affect the accuracy of financial reports generated from the system and limit the evaluation of the financial performance of individual projects.

30. **The Board recommends that UNEP (a) introduce a mechanism to enforce prompt recording of all project financial information in Umoja and regularly update the project financial data in the system; (b) introduce a regular review of project information in Umoja to verify the correctness and completeness of project data; and (c) ensure that all transactions in Umoja are linked to a valid and approved project in support of the programme of work.**

Inadequate assessment of project executing agencies

31. Paragraph 8.2 of the UNEP programme manual (2016) requires that partnership determination and approval procedure follow a due diligence process for the selection of both for-profit, public-sector entities and all private-sector entities. However, for the selection of not-for-profit, public-sector entities, the manual provides that a legal agreement can be concluded without undergoing the partner determination and approval procedure.

32. During 2017, UNEP had 44 ongoing projects under the implementation of the Regional Office for West Asia, 41 of which were under direct implementation of the Regional Office while 3 projects were under co-execution between the Regional Office and implementing partners in the respective countries. The project cooperation agreement of one of the three projects under co-execution between the Regional Office and the implementing partner (with a budget of $852,000) was signed with the public partner counterpart in March 2014. The project was scheduled to start immediately after the signing of the agreement and to end in June 2017. However, the project could not start in March 2014 as scheduled; instead, it started in May 2016 after a delay of two years. On 5 April 2016, the implementing partner requested UNEP to change the execution of the project to a direct implementation modality, whereby UNEP would execute the project because the implementing partner had no capacity to undertake the project owing to administrative challenges and inadequacy of staff resources.

33. Management explained that for certain sources of funding, where the recipient is determined by the donor at the time of project design, the decision of the selection of implementation modality is reflected in the implementing partners endorsement letters submitted together with the project proposal for donor funding. In addition, the assessment of the capacity to implement the project is conducted in bilateral discussions with the implementing partner and its outcome is documented in project implementation plans, exchange letters, minutes of meeting or workshop reports. In addition, major changes in the structure and staffing of implementing partner counterparts compelled the change in the execution modality.

34. The Board is of the view that since the UNEP programme manual does not provide procedures for the assessment and selection of an implementing partner such as a not for-profit, public-sector organization, UNEP needs to consider developing guidelines to help field offices to assess and select implementing partners, including those from the category of not-for-profit partners.

35. **The Board recommends that UNEP establish guidelines for field offices on how to assess and select implementing partners who are not-for-profit, public-sector organizations.**

5. Overview of internal controls in Umoja

Inadequate segregation of duties in Umoja access provisioning

36. Segregation of duties is an internal control designed to prevent error and fraud by ensuring that at least two individuals are responsible for the separate parts of any task. The Umoja enterprise resource planning system has a role guide that describes all roles and indicates which ones are to be segregated while granting roles to users. In addition, the Secretariat has issued a security liaison officers workbook to guide those officers at each of the three United Nations entities (UNEP, United Nations Human Settlements Programme, United Nations Office at Nairobi) located at Nairobi in granting roles to users and ensuring segregation of roles, as required by the employee role guide.

37. From its review of a list of all users and their roles in Umoja, the Board determined that 51 UNEP users were granted conflicting roles contrary to the requirements of the Umoja enterprise role guide and best practices in applying segregation of duties principles. For example, 11 users were granted multiple roles in a number of functionalities, such as the "source to acquire" roles of requisitioner, buyer, approver and low value acquisitioner, while 2 users were granted both certifying and approving roles.

38. Management stated that they have resolved the conflicting issues except for some small offices where exceptions were made regarding process owners. In addition, UNEP has instituted changes geared towards strengthening capacity and ensuring enforcement of the role provisioning guidelines as stipulated in the ICT technical procedures document.

39. The Board is of the view that measures need to be taken on regular basis to ensure the adequate segregation of duties, in the absence of which staff can perform incompatible roles, thereby posing the risk of fraud and errors resulting from a lack of internal checks.

40. **The Board recommends that UNEP: (a) in collaboration with the United Nations Office at Nairobi, review on regular basis all the roles that have been granted in Umoja and eliminate all conflicting roles granted to users; and (b) establish procedures to ensure that user roles are reviewed regularly by process owners to ensure that they are commensurate with job descriptions and are not conflicting.**

Delays in deprovisioning of user access and review in Umoja

41. Section 6.1 of United Nations Secretariat ICT technical procedure requires the timely deprovisioning of users when they no longer require access and the removal of access rights to users when a service or system is not accessed by a user for more than three consecutive months.

42. Further, section 8.1 of the ICT technical procedure requires information owners to review the access privileges of user accounts every 12 months to determine if access rights are still commensurate with the user's job duties. Documentation for such reviews shall include information about who conducted the review and what action (if any) was taken by the application owner, and shall be maintained according to the published retention schedule. However, during its review of active users in Umoja and their last logon dates against lists of active staff members as per the lists of UNEP staff provided by the Human Resource Management Section as at 31 October 2017, the Board determined that:

(a) A total of 51 UNEP Umoja users had not logged on the system for a period of more than six months consecutively, while 4 users had never been logged on at all since their accounts were created in Umoja in May 2015;

(b) A total of 21 UNEP Umoja users who were not on the list of UNEP staff were still active in Umoja, some with sensitive approving and certifying roles, including roles such as travel and shipment administrator and grants management budget user (unreleased and released);

(c) While access control for the ICT technical procedure requires a regular review of users in Umoja to be carried out by the process owners, such reviews were not conducted.

43. Delays in the deprovisioning of separated staff and user accounts that have remained inactive for a long period exposes the organization to the risk of unauthorized access to system that may compromise the integrity of data. The Board

is of the view that regular review by business owners could help to identify and resolve anomalies in a timely manner. Moreover, while UNEP stated that it has updated the roles by removing users who have separated from the organization or extended basic self-service roles where necessary to allow staff access to the system during their separation process, the Board considers that such measures need to be undertaken on a routine basis.

44. **The Board recommends that UNEP ensure that all user accounts for separated staff and those that remain dormant for three consecutive months be deactivated on a regular basis and in a timely manner.**

Delays in the disposal of retired ICT assets

45. Section 7.1(a) of administrative instruction ST/AI/2015/4 on management of property requires unserviceable or obsolete property to be promptly identified, written off and disposed of. Disposal of these items is required to be for the interest of the United Nations entity.

46. During its review of the UNEP verification report of 2016 and Umoja asset management module data, the Board noted that UNEP had 105 ICT assets, 17 of which were located at headquarters in Nairobi and the rest in other offices away from headquarters. The Board physically verified 14 of the assets located at the Nairobi office and found that only 4 assets were actually in use, while the remaining 10 included 8 assets that were retired from use because of either being obsolete or damaged and 2 assets that were damaged; yet Umoja showed that all 14 assets were in use. The Board further noted that for only 3 of 10 assets that were not in use had disposal cases been submitted or initiated.

47. The Property Management Unit informed the Board that it is the responsibility of user departments (in this case the UNEP ICT team) to initiate the disposal process by submitting a disposal case to the Unit, which would present the cases to the respective committee for approval, after which they would be disposed of both in the system and physically, as required. In addition, UNEP explained that it has submitted a case report for the disposal of the ICT assets, which are ready for disposal for further processing. Once confirmed by the Property Management Unit, UNEP will accordingly update the Umoja status. The process has been strengthened to ensure timely disposal of unserviceable or obsolete assets.

48. Despite the explanation provided, the Board remain concerned that such measures are not taken in a timely manner. The Board considers that delays in updating assets information in the system may result in misstatement of financial statements, while delays in the disposal of assets that have been retired from use increase storage costs and may result in unnecessary additional losses upon disposal due to obsolescence.

49. **The Board recommends that UNEP ensure that (a) assets information in Umoja is updated in a timely manner and (b) unserviceable or obsolete assets are promptly identified, written off and disposed of.**

6. Implementation of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat

Inadequate implementation of the Anti-Fraud and Anti-Corruption Framework

50. UNEP is required to implement the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat in 2016 (ST/IC/2016/25). However, UNEP had not taken adequate measures to create awareness of the Framework among its staff. In November 2017, the Management Committee at United Nations Headquarters approved an anti-fraud online training course as mandatory for all staff of the

Secretariat, yet only 12 (one per cent) of 1,278 available UNEP staff members had undertaken this training as of May 2018.

51. UNEP also stated that it was planning to conduct outreach activities in 2018, but the Board found that no resources were allocated and the planned outreach activities had not been started as of May 2018.

52. The Board is of the view that inadequate staff awareness of the Framework due to non-completion of the mandatory online training course on anti-fraud may have a negative impact on the identification, mitigation and detection of fraud risks.

53. **UNEP agreed with the Board recommendation to issue a policy document based on the Anti-Fraud and Anti-Corruption Framework.**

C. Disclosures by management

54. UNEP made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud.

1. Write-off of cash, receivables and property

55. The Programme informed the Board that, in accordance with financial rule 106.8, no losses of cash and receivables were written off in 2017. UNEP reported no losses with respect to property in 2017.

2. Ex gratia payments

56. Management confirmed that UNEP did not make any ex gratia payments in 2017.

3. Cases of fraud and presumptive fraud

57. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

58. During the audit, the Board makes enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to their attention. We also enquire whether management has any knowledge of any actual, suspected or alleged fraud, including enquiries made to the Office of Internal Oversight Services. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

59. In 2017, UNEP reported two cases of fraud that were under investigation.

D. Acknowledgement

60. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and staff members of the United Nations Environment Programme.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor-General of India
Chair of the Board of Auditors

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
(Lead Auditor)

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

24 July 2018

Annex

Status of implementation of recommendations up to the year ended 31 December 2016

S/N	Financial period in which recommendation was made and report reference	Para No.	Summary of the recommendation of the Board	Management response	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1	2016 A/72/5/Add.7, chap. II	24	The Board recommends that UNEP enhance its follow-up efforts with implementing partners to submit the required reports on time so as to expedite financial closure of operationally closed projects.	Management has taken additional steps to allocate resources to facilitating closure of old projects. A special project team for clean-up and closure of old projects, with dedicated human resources has been established. The workplan for the team and baseline with specific dates of completion has been established. Target date: December 2018.	The efforts towards implementation are under way.		X		
2	2016 A/72/5/Add.7, chap. II	29	The Board recommends that UNEP introduce and properly follow a standard time frame for each stage of project development to avoid delays in submission of projects for review and approval so that implementation of programme of activities is not affected.	UNEP has incorporated the project cycle management into the programme manual and standardized all processes to reduce delays in the approval process. Further improvements are expected to be realized upon implementation of Umoja Extension 2 (UE2).	The new programme manual (2016) has standardized the process and defines the time required for each of stage.	X			
3	2016 A/72/5/Add.7, chap. II	33	The Board recommends that UNEP conduct a regular follow-up with implementing partners to ensure that they comply with the UNEP programme manual by submitting consolidated audited financial statements on completed projects to provide assurance over the expenditure incurred during the implementation of the projects.	UNEP is actively engaged in discussions with the Headquarters team on its requirements for the Umoja grantor management tool that will be implemented under UE2. This tool is expected to cover all aspects related to engagement with implementing partners, including screening and registration, monitoring and reporting, audit, closure and evaluation of implementing partners.	While the Board noted the initiatives for engaging in discussion with Headquarters on the subject, it awaits launch of UE2 to assess the functionality of the tool for managing the implementing partners.		X		

S/N	Financial period in which recommendation was made and report reference	Para No.	Summary of the recommendation of the Board	Management response	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
4	2016 A/72/5/Add.7, chap. II	39	UNEP agreed with the Board's recommendation to develop an anti-fraud policy to ensure that a consistent approach to fraud detection, measurement and reporting is in place across all implementing partners.	UNEP has initiated efforts to ensure that key staff members who will be involved in development of the anti-fraud policy attend relevant training and workshops to equip them with the relevant knowledge required in this exercise. Target date: December 2018. UNEP participated in a meeting of the High-Level Committee on Management of the United Nations System held on 12 and 13 April 2018, in Valencia, Spain. Risk management was extensively discussed and it was decided to task the finance and budget network to develop a common anti-fraud and risk management policy across United Nations entities. UNEP will be part of this process.	The Board noted that UNEP has not yet established an anti-fraud policy.		X		
5	2016 A/72/5/Add.7, chap. II	43	The Board recommends that UNEP: (a) strengthen monitoring mechanisms to ensure that staff members record and certify their leave balances in Umoja in a timely manner; and (b) review and verify all leave records to ensure the accuracy of the balances of all staff members.	The United Nations Office at Nairobi has requested the Umoja human resources business readiness team that time administrators and time managers be provided access to run the time statements certifying report to strengthen monitoring status.	The Board noted improvements in staff members recording and certifying their leave balances in a timely manner. Therefore, the recommendation is considered implemented.		X		
6	2016 A/72/5/Add.7, chap. II	50	The Board recommends that UNEP arrange travel in accordance with travel plans and provide enough time for ticket processing to comply with the administrative [illegible]	UNEP management continues to sensitize staff members on the need for compliance with the administrative instruction on travel. Certifying officers are required to review any justification for approval of ad hoc travel due to exigency of [illegible]	The Board noted satisfactory progress towards full compliance with the administrative instruction.		X		

S/N	Financial period in which recommendation was made and report reference	Para No.	Summary of the recommendation of the Board	Management response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
7	2016 A/72/5/Add.7, chap. II	58	The Board recommends that UNEP strengthen its mechanism for the recovery of travel advances to ensure timely submission of travel expense reports to allow complete recording of expenses and receivables.	A programme for recovery of outstanding travel advances has been implemented in Umoja from April 2017. The recovery process has been running successfully on a monthly basis and it is expected that this will drastically reduce the long outstanding travel advances.	The Board noted significant improvement in recovery of travel advances through Umoja.	X			
8	2016 A/72/5/Add.7, chap. II	62	The Board recommends that UNEP ensure that staff performance appraisals are completed for all staff in accordance with the Staff Regulations of the United Nations and Staff Rules.	UNEP, in collaboration with the United Nations Office at Nairobi, has been sending regular reminders to specific staff members and managers to ensure compliance with the staff performance appraisal rules and regulations. This recommendation is fully implemented. In the period 2016–2017, a compliance rate of 99 per cent was achieved, with 1,108 evaluations completed out of 1,119.	The Board's assessment noted the adequate rate of implementation with regard to staff performance appraisal during the year under review.	X			
9	2016 A/72/5/Add.7, chap. II	68	The Board recommends that UNEP expedite the implementation of enterprise risk management to ensure an effective and efficient risk management process.	This is a work in progress. UNEP is holding internal consultations to ensure completion of the draft enterprise risk management policy and the follow-up processes for approval.	Enterprise risk management is not yet in place.			X	
10	2015 A/71/5/Add.7, chap. II	29	The Board recommends that UNEP, in collaboration with the United Nations Office at Nairobi: (a) establish a service-level agreement with the support desk for Umoja support service and ensure that the performance of the support desk is reviewed regularly; (b) maintain liaison with Headquarters to ensure that the established task force thoroughly reviews and fixes the configurations and bugs	For part (a), Umoja support is global and forms part of the United Nations Headquarters global service delivery model which has not yet been approved by the General Assembly. A revised report is currently under preparation for presentation to the Assembly. Once approved, any resulting requirement for a service-level agreement will follow. Please note, however, that an Umoja support desk is already in place.	The service level agreement between the United Nations Office at Nairobi and UNEP is now in place.	X			

S/N	Financial period in which recommendation was made and report reference	Para No.	Summary of the recommendation of the Board	Management response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			related to the travel and human resources modules of Umoja and performs adequate test runs to confirm that the problems have been corrected; and (c) put controls in place to ensure that the ledger entry description field is mandatory and emphasize that users should enter full descriptions in the ledger.	For parts (b) and (c), the United Nations Office at Nairobi has been working with United Nations Headquarters and most of the problems identified have been corrected.					
11	2015 A/71/5/Add.7, chap. II	33	The Board recommends that UNEP enhance its follow-up on the project closure, including the setting up of controls over the timely submission of final expenditure reports to expedite their closure so that projects are financially closed within 24 months after being operationally closed.	The revised programme manual which was launched towards the end of 2016 provides procedural guidance and timelines for financial closure of projects. The UNEP Quality Assurance Section monitors the closure of projects on a biannual basis and communicates the findings to senior management. All implementing partners have been requested to accelerate their 2016 expenditure reporting to mid-January 2017 to enable the expenditures to be recorded prior to the year-end closure.	The Board noted an adequate number of projects to have been financially closed compared to previous years.		X		
12	2015 A/71/5/Add.7, chap. II	52	The Board recommends that UNEP ensure sufficient controls over the preparation and submission of required project reports by implementing agencies in compliance with the project cooperation agreements.	The recommendation related to UNEP-GEF operations. Project managers and fund management officers continue to follow up regularly in order to ensure timely receipt of project reports. To support these efforts, a new tool to assist in tracking and follow-up of outstanding reports on GEF-funded projects is currently in operation with one of the focal areas on a test basis.	The Board noted that the required new tool to assist in tracking and follow-up of outstanding reports on GEF-funded projects had not yet been implemented.			X	

S/N	Financial period in which recommendation was made and report reference	Para No.	Summary of the recommendation of the Board	Management response	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
13	2015 A/71/5/Add.7, chap. II	56	The Board recommends that UNEP-GEF: (a) make more effort and follow-ups to ensure that expenditure reports are submitted within the agreed time frames under the signed agreements; and (b) consider the write-off of receivables with respect to which expenditure reports cannot be retrieved and the recoverability of advances has proved to be uncertain.	(a) Please refer to the comments above relating to the recommendation in paragraph 52; (b) UNEP treats as a matter of priority to follow up on delayed expenditure reports. UNEP has reviewed long-outstanding receivables and recommended expensing them where all means to receive expenditure reports have been exhausted, provided it can be shown that the outputs for which the advances were made have been fully realized. UNEP plans to continue cleaning up the old balances that were not cleared prior to Umoja conversion.	The Board awaits finalization of the cleaning up of the old balances that were not cleared prior to Umoja conversion.		X		
14	2015 A/71/5/Add.7, chap. II	67	UNEP agreed with the Board's recommendation that it review the residual value and the useful lives of all assets, and ensure that the asset register is updated to reflect the restated figures after Headquarters has completed the analysis of property, plant and equipment.	There is an ongoing Secretariat exercise coordinated by Headquarters to assess the working condition of fully depreciated assets and determine the number of years beyond 31 December 2017 that the asset can still be utilized for its intended purpose. UNEP has carried out the assessment and submitted its report to the United Nations Office at Nairobi for consolidation and onward transmission to Headquarters. Upon completion of the exercise, Headquarters will provide guidance on the required action for adjusting the remaining useful lives.	The Board's assessment noted ongoing process towards implementation of the recommendation.		X		

S/N	Financial period in which recommendation was made and report reference	Para No.	Summary of the recommendation of the Board	Management response	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
15	2014 A/70/5/Add.7, chap. II	30	UNEP agreed with the Board's recommendation that it include in the proposed new version of PIMS all key project processes and ensure that consolidated reports are provided and there is improvement in the capacity for the inclusion of all key project processes.	Project processes, including the planning and evaluation modules, are currently under development and will be released by end-2017.	The Board's assessment noted that the guidelines had not been released by end-2017.		X		
16	2014 A/70/5/Add.7, chap. II	45	UNEP agreed with the Board's recommendation that it look at ways of ensuring that the Evaluation Office is provided with adequate resources to initiate and manage independent project-level evaluations to the required level, and that project closure time frames are adhered to.	Resources for the evaluation of each project are now budgeted adequately at the time of project approval and are reinforced by standard operating procedures in the new programme manual. However, the numbers of projects reaching completion each year has continued to increase, with 90 evaluation requests in 2017, and the availability of staff in the Evaluation Office to plan, commission, oversee and quality assure these evaluations is still limited to four Professional staff and a Junior Professional Officer. While the Evaluation Office gained one Professional staff position in 2014, it still requires additional staff resources to be allocated to facilitate timely completion of project evaluations and subsequent project closures.	The Board will continue to assess the improvement in resources allocated to the Evaluation Office to enhance independent evaluation of projects.		X		

Chapter III
Certification of the financial statements

Letter dated 31 March 2018 from the Chief Finance Officer of the United Nations Office at Nairobi addressed to the Chair of the Board of Auditors

The financial statements of UNEP for the year ended 31 December 2017 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and rule 207.3 of the supplement to the Financial Regulations and Rules of the United Nations (ST/SGB/2015/4).

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes, and the accompanying schedules, provide additional information and clarification of the financial activities undertaken by UNEP during the period covered by these statements.

The certification function defined in financial rules 105.5 and 105.7 to 105.9 of the Financial Regulations and Rules of the United Nations is assigned to UNEP. Responsibility for the accounts and the performance of the approving function, as defined in article VI and financial rule 105.6 of the Financial Regulations and Rules of the United Nations, is assigned to the United Nations Office at Nairobi.

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the Fund of UNEP for the year ended 31 December 2017 are correct.

(*Signed*) Keval **Vora**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV

Administration's financial overview for the year ended 31 December 2017

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the accounts, of UNEP, including the Environment Fund, associated trust funds and the related accounts, for the year ended 31 December 2017. The financial statements consist of five statements and notes to the financial statements. In accordance with financial rule 106.1, these financial statements were to be transmitted to the Board of Auditors on 31 March 2018.

2. The United Nations Secretariat's business intelligence (BI) tool has been used for the production of various financial reports. BI also facilitates the set of strategies, process applications, data, technologies and technical architectures which are used to support the collection, analysis and presentations. In addition, Systems Applications and Products in Data Processing (SAP)/Business Planning and Consolidation (BPC) was introduced to support the preparation of financial statements and notes. SAP/BPC helps to automate and streamline business forecast, planning and consolidation activities.

3. Regular budget revenue and expense, insofar as they relate to UNEP, are included in Volume I, a related party, but for completeness have also been included in these financial statements.

4. The financial statements and schedules, as well as the notes thereto, are an integral part of the financial report.

B. International Public Sector Accounting Standards sustainability plan

5. This is the fourth year for which the financial statements of UNEP have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). To support continued IPSAS compliance, the organization has deployed an IPSAS sustainability plan with ongoing work under five major components that have been identified as the core pillars for IPSAS sustainability, namely:

(a) Management of the benefits of IPSAS: this entails tracking and compiling IPSAS benefits and examining ways of using IPSAS-triggered information to better manage the organization;

(b) Strengthening of internal controls: this includes the deployment and ongoing management of the framework that will support a statement of internal control;

(c) Management of the IPSAS regulatory framework: this includes active participation in the work of the IPSAS Board to formulate new IPSAS or change existing standards, and the related update of the IPSAS Policy Framework and financial rules and guidance, as well as the related changes to systems and processes;

(d) Maintenance of the integrity of Umoja as the backbone for IPSAS-compliant accounting and reporting: this includes ensuring IPSAS compliant processes for new programmes and activities, and automating the production of financial statements via Umoja;

(e) Continued IPSAS training and the deployment of a skills strategy that will support a strengthened finance function.

C. Overview of the financial statements of the year ended 31 December 2017

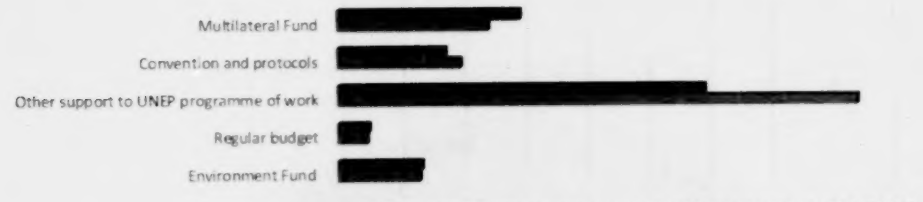
All funds

6. Statements I to IV show the consolidated figures for all UNEP activities, comprising the Environment Fund, the regular budget, other trust funds supporting the UNEP programme of work, trust funds supporting the UNEP multilateral environment agreements and the Multilateral Fund, programme support costs that support the UNEP programme of work and the multilateral environment agreements, and end-of-service and retirement benefits for the year ended 31 December 2017. Statement V reports on the Environment Fund and the regular budget.

7. Comparison between the year ended 31 December 2016 and the current reporting date is provided.

8. The revenue of UNEP for the year ended 31 December 2017, by source of funding, is shown in figures IV.I and IV.II.

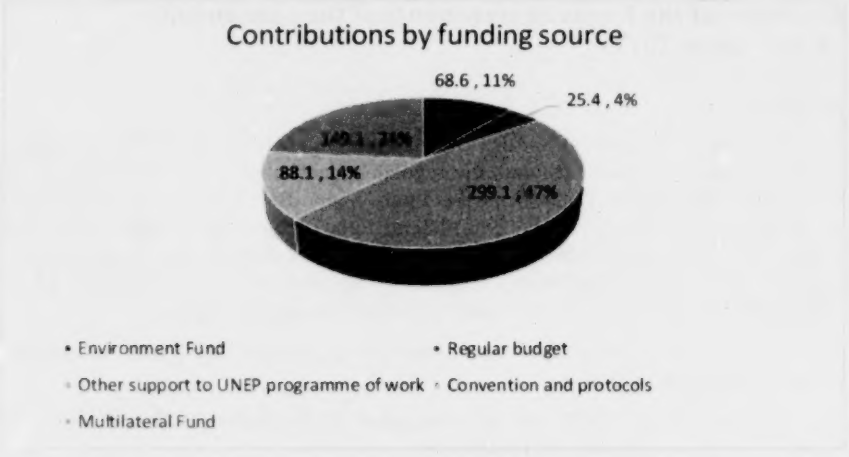
Figure IV.I
2017 contributions, by source of funding
(Thousands of United States dollars)


Multilateral Fund
Convention and protocols
Other support to UNEP programme of work
Regular budget
Environment Fund
- 50,000 100,000 150,000 200,000 250,000 300,000 350,000 400,000 450,000

	Environment Fund	Regular budget	Other support to UNEP programme of work	Convention and protocols	Multilateral Fund
■ 2017	68,579	25,389	299,197	88,189	149,130
■ 2016	66,749	23,970	424,084	100,347	123,285

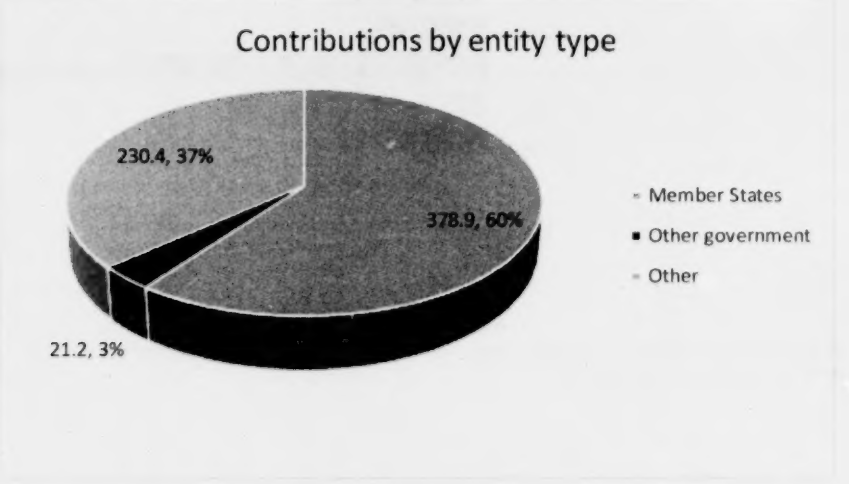
Multilateral Fund revenue is presented less elimination for UNEP internal implementation of $15,265,000 for 2017 and $13,720,000 for 2016.

Figure IV.II
2017 contributions, by source of funding (proportions)
(Millions of United States dollars)



9. The distribution of contributions, by type of contributing entity, is shown in figure IV.III.

Figure IV.III
Distribution of contributions, by type of entity
(Millions of United States dollars)

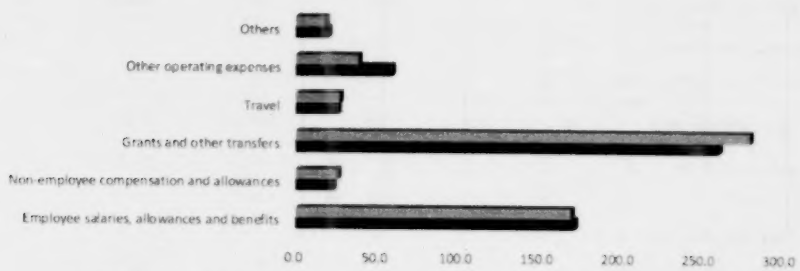


10. The contributions are based on IPSAS accounting which includes recognizing donor project funding in full on signing of a funding agreement by both the donor and UNEP. This includes project funding from the Global Environment Facility (GEF) where revenue is recognized in full for multi-year projects following project approval by GEF and receipt of a letter of commitment from the GEF trustee, the International Bank for Reconstruction and Development. GEF project approvals and associated fees in 2017 were $92 million lower than in 2016, at $140 million compared to $232 million in 2016. Funds are made available by GEF for project implementation

in four-year replenishment cycles, the current cycle ending on 30 June 2018. There is an implicit expectation that project approvals will be low at the start of each four-year cycle. Similarly, there is an expectation that project approvals will reduce towards the end of the cycle as the remaining funds available for programming are expended. Thus, UNEP's financial year 2017 exhibits just such a reduction compared to 2016, which was in the middle and therefore the peak of a four-year cycle. GEF-related trust funds are included in the UNEP programme of work segment report in note 4 to the financial statements.

11. Expenditure in 2017 relative to 2016, by type of expense, is shown in figure IV.IV.

Figure IV.IV
Expenditure in 2017 relative to 2016, by type of expense
(Millions of United States dollars)



	Employee salaries, allowances and benefits	Non-employee compensation and allowances	Grants and other transfers	Travel	Other operating expenses	Others
2017	170.3	26.0	281.4	27.2	38.8	18.5
2016[a]	172.0	23.1	262.0	25.9	59.2	20.1

[a] Comparatives have been restated to conform to current presentation.

12. Total expense remained at the same level of $562.2 million.

Key indicators from statement I

13. Total assets increased by 112.6 million (6.4 per cent) to $1,863.1 million as at 31 December 2017, from $1,750.5 million as at 31 December 2016.

14. Total liabilities increased by $66.5 million (19.8 per cent) to $402.8 million as at 31 December 2017, from $336.3 million as at 31 December 2016.

15. Net assets increased by $46.1 million (3.3 per cent) to $1,460.3 million as at 31 December 2017, from $1,414.2 million as at 31 December 2016.

16. Table IV.1 summarizes other key indicators for the year ended 31 December 2017 compared with the year ended 31 December 2016.

Table IV.1
Other key indicators
(Millions of United States dollars)

	2017	*2016[a]*	*Increase decrease*	*Change (percentage)*
Assessed contributions revenue	224.2	213.7	10.5	4.9
Voluntary contributions revenue	254.2	266.7	(12.5)	(4.7)
Other transfers and allocations	152.1	258.1	(105.9)	(41.1)
Total contributions revenue	**630.6**	**738.5**	**(107.9)**	**(14.6)**
Cash and cash equivalents	54.9	169.7	(114.8)	(67.6)
Short-term investments	488.9	300.5	188.4	62.7
Long-term investments	153.5	144.7	8.8	6.1
Total cash and investments	**697.3**	**614.9**	**82.4**	**13.4**
Assessed contributions receivable	30.8	23.7	7.1	30.0
Voluntary contributions receivable	718.9	666.3	52.6	7.9
Total receivables	**749.7**	**690.0**	**59.7**	**8.7**
Advance transfers	401.3	424.9	(23.6)	(5.6)
Other assets	10.0	16.6	6.6	39.7
Accounts payable and accrued payables	26.0	44.4	(18.4)	(41.4)
Employee benefits liabilities	206.0	146.1	59.9	41.0
Other liabilities	95.6	81.6	14	17.2

[a] Comparatives have been restated to conform to the current presentation.

17. The increase of $52.6 million in voluntary contributions receivable is mainly attributed to the increase in multi-year donor agreements whose payments are due in future years only.

D. End-of-service and post-retirement accrued liabilities

18. The UNEP financial statements reflect end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. UNEP makes monthly provisions for repatriation benefits at 8 per cent of net salary. In addition, since January 2017, UNEP has also started to make monthly provisions for after-service health insurance at 3 per cent of net salary.

19. The 31 December 2017 accrued balances have been adjusted to reflect the estimated liabilities as at 31 December 2017 as reflected in the 2017 actuarial study calculations by a consulting firm engaged by the United Nations Secretariat on behalf of UNEP. As a result of fully charging these liabilities in the financial statements as at 31 December 2017, an amount of $161.3 million of cumulative unfunded expenditure is shown in note 4, "Segment report", under the end-of-service and post-retirement benefits segment.

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2017

United Nations Environment Programme

I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	Notes	*31 December 2017*	*31 December 2016*
Assets			
Current assets			
Cash and cash equivalents	6	54 916	169 714
Investments	7	488 973	300 456
Assessed contributions receivable	8	30 768	21 469
Voluntary contributions receivable	9	260 498	248 434
Other receivables	10	2 883	2 423
Advance transfers	11	259 573	276 191
Other assets	12	9 968	16 591
Total current assets		**1 107 579**	**1 035 278**
Non-current assets			
Investments	7	153 481	144 677
Assessed contributions receivable	8	–	2 203
Voluntary contributions receivable	9	458 406	417 864
Property, plant and equipment	14	1 609	1 740
Intangible assets	15	300	25
Advance transfers	11	141 803	148 732
Total non-current assets		**755 599**	**715 241**
Total assets		**1 863 178**	**1 750 519**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	25 984	44 433
Advance receipts	17	75 072	64 201
Employee benefits liabilities	18	7 887	10 075
Provisions	20	55	-
Other liabilities	21	95 634	81 583
Total current liabilities		**204 632**	**200 292**
Non-current liabilities			
Employee benefits liabilities	18	198 162	136 002
Total non-current liabilities		**198 162**	**136 002**
Total liabilities		**402 794**	**336 294**
Total net of total assets and total liabilities		**1 460 384**	**1 414 225**
Net assets			
Accumulated surpluses/(deficits) — unrestricted	22	1 424 047	1 379 476
Reserves	22	36 337	34 749
Total net assets		**1 460 384**	**1 414 225**

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Environment Programme
II. Statement of financial performance for the year ended 31 December 2017

(Thousands of United States dollars)

	Notes	*31 December 2017*	*31 December 2016[a]*
Revenue			
Assessed contributions	23	224 256	213 689
Voluntary contributions	23	254 248	266 654
Other transfers and allocations	23	152 150	258 092
Investment revenue	26	9 118	4 804
Other revenue	24	16 143	2 458
Total revenue		**655 915**	**745 697**
Expense			
Employee salaries, allowances and benefits	25	170 305	171 991
Non-employee compensation and allowances	25	26 050	23 109
Grants and other transfers	25, 31	281 431	262 022
Supplies and consumables	25	328	339
Depreciation	14	228	180
Amortization	15	42	7
Travel	25	27 218	25 882
Other operating expenses	25	38 835	59 207
Exchange losses from the fixed exchange rate mechanism of the Multilateral Fund	25	15 443	17 428
Other expenses	25	2 355	2 098
Total expenses		**562 235**	**562 263**
Surplus/(deficit) for the year		**93 680**	**183 434**

[a] Comparatives have been restated to conform to current presentation.

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Environment Programme
III. Statement of changes in net assets for the year ended 31 December 2017[a]

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) — unrestricted	*Elimination*	*Accumulated surpluses/(deficits) — unrestricted after elimination*	*Reserves*	*Total*
Net assets at the beginning of the period	**1 432 867**	**(53 391)**	**1 379 476**	**34 749**	**1 414 225**
UNEP internal implementation elimination					
Changes in net assets	–	5 869	5 869	–	5 869
Transfers to reserves	(1 588)	–	(1 588)	1 588	–
Actuarial gains (losses)	(53 390)	–	(53 390)	–	(53 390)
Total items recognized directly in net assets	**(54 978)**	**5 869**	**(49 109)**	**1 588**	**(47 521)**
Surplus/(deficit) for period	93 680	–	93 680	–	93 680
Net movement in net assets	**38 702**	**5 869**	**44 571**	**1 588**	**46 159**
Net assets, end of period	**1 471 569**	**(47 522)**	**1 424 047**	**36 337**	**1 460 384**

[a] See note 22.

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Environment Programme
IV. Statement of cash flows for the year ended 31 December 2017

(Thousands of United States dollars)

	Note	31 December 2017	31 December 2016
Cash flow from operating activities			
Surplus/(deficit) for the year		**93 680**	**183 434**
Non-cash movements			
Depreciation and amortization	14, 15	270	187
Actuarial gain/loss on employee benefits liabilities	18	(53 390)	(2 101)
Transfers and donated property, plant and equipment and intangibles	14, 15	(169)	–
Loss on disposal of property, plant and equipment and intangibles		315	–
Changes in assets			
(Increase)/decrease in assessed contributions receivable	8	(7 096)	8 275
(Increase)/decrease in voluntary contributions receivable	9	(52 606)	(145 342)
(Increase)/decrease in other receivables	10	(460)	(201)
(Increase)/decrease in advance transfers	11	23 547	(55 470)
(Increase)/decrease in other assets	12	6 623	(8 562)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	16	(18 449)	(19 259)
Increase/(decrease) in advance receipts	17	10 871	29 746
Increase/(decrease) in employee benefits payable	18	59 972	8 362
Increase/(decrease) in provisions	20	55	(192)
Increase/(decrease) in other liabilities	21	14 051	(14 475)
Investment revenue presented as investing activities	26	(9 118)	(4 804)
Net cash flows from/(used in) operating activities		**68 096**	**(20 402)**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool	26	(197 321)	104 338
Investment revenue presented as investing activities	26	9 118	4 804
Acquisitions of property, plant and equipment	14	(384)	(243)
Acquisition of intangibles	15	(176)	–
Net cash flows from/(used in) investing activities		**(188 763)**	**108 899**
Cash flow from financing activities			
Adjustments to net assets	22	5 869	(28 436)
Net cash flows from/(used in) financing activities		**5 869**	**(28 436)**
Net increase/(decrease) in cash and cash equivalents		(114 798)	60 061
Cash and cash equivalents — beginning of year		169 714	109 653
Cash and cash equivalents — end of year	6	**54 916**	**169 714**

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Environment Programme

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2017

(Thousands of United States dollars)

	Publicly available budget			*Actual expenditure (budget basis)*	*Difference (percentage)[a]*
	Original biennial	*Original annual*	*Final annual*		
Executive direction and management	9 500	4 750	7 700	7 640	0.8
Programme of work, comprising:					
Climate change	42 000	21 000	10 700	10 489	2.0
Disasters and conflicts	20 500	10 250	3 200	3 117	2.6
Ecosystem management	40 000	20 000	9 000	8 735	2.9
Environmental governance	25 000	12 500	7 500	7 323	2.4
Chemicals and waste	36 000	18 000	6 900	6 771	1.9
Resource efficiency	49 000	24 500	11 500	11 174	2.8
Environment under review	19 000	9 500	4 700	4 668	0.7
Total programme of work	**231 500**	**115 750**	**53 500**	**52 277**	**1.9**
Fund programme reserve	14 000	7 000	300	282	6.0
Programme support	16 000	8 000	3 500	3 387	3.2
Total Environment Fund	**271 000**	**135 500**	**65 000**	**63 586**	**2.2**
United Nations regular budget allocation[b]	35 331	17 737	23 469	23 185	1.2
Total	**306 331**	**153 237**	**88 469**	**86 771**	**1.9**

[a] Actual expenditure (budget basis) less final budget.

[b] The United Nations regular budget allocation is from assessed contributions as reported in Volume I.

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Environment Programme

Notes to the 2017 financial statements

Note 1
Reporting entity

The United Nations Environment Programme and its activities

1. The United Nations Environment Programme (UNEP) was established by the General Assembly by its resolution 2997 (XXVII) of 15 December 1972 as an autonomous body and a separate reporting entity within the United Nations, with the Governing Council of UNEP as its policymaking organ and a secretariat to serve as a focal point for environmental action and coordination within the United Nations system. As from June 2014, UNEP adopted universal membership and the United Nations Environment Assembly became its governing body. UNEP is headed by an Executive Director. UNEP is supported by the Environment Fund, a United Nations regular budget allocation, assessed contributions and voluntary contributions from Governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources. UNEP headquarters is off UN Avenue, Nairobi, Kenya, at the United Nations Office at Nairobi complex.

2. The mandate of UNEP, as the leading global environmental authority that sets the global agenda and promotes the coherent implementation of sustainable development within the United Nations system, has been confirmed through various legislative measures, both by the General Assembly and the governing body of UNEP. UNEP also provides the secretariats to several global and regional environmental conventions that have been established in areas related to the UNEP programme mandate.

3. The activities for which UNEP is responsible for fall within programme 11, Environment, of the United Nations biennial programme plan and priorities for the period 2016–2017. The overall objective of programme 11 is to provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations. The main elements of the strategy for achieving the overall objective include: (a) filling the information and knowledge gap on critical environmental issues through more comprehensive assessments; (b) identifying and further developing the use of appropriate integrated policy measures in tackling the root causes of major environmental concerns; and (c) mobilizing action for better integration of international action to improve the environment, particularly in relation to regional and multilateral agreements, as well as United Nations system-wide collaborative arrangements.

The United Nations Environment Programme

4. The United Nations Environment Programme (the organization) is a separate financial reporting entity of the United Nations and includes the Environment Fund, the UNEP United Nations regular budget allocation, trust funds that support the UNEP programme of work, trust funds that support the UNEP multilateral environment agreements and the Multilateral Fund for the Implementation of the Montreal Protocol, related programme support costs for the UNEP programme of work and the multilateral environment agencies and the Multilateral Fund.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

5. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of UNEP, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

(c) Statement III: statement of changes in net assets;

(d) Statement IV: statement of cash flows (using the indirect method);

(e) Statement V: statement of comparison of budget and actual amounts;

(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes; and

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

6. This is the fourth set of financial statements prepared in compliance with IPSAS, which includes the application of certain transitional provisions, as identified below.

7. The financial statements are prepared for the 12-month period from 1 January to 31 December.

Going concern

8. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the biennium 2018–2019 and the positive historical trend of the collection of assessed and voluntary contributions over previous years and the fact that the Assembly has taken no decision to cease the operations of the United Nations.

Authorization for issue

9. These financial statements are certified by the Chief Financial Officer of the United Nations Office at Nairobi and approved by the Executive Director of UNEP. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements as at 31 December 2017 are to be transmitted to the Board of Auditors by 31 March 2018. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 30 June 2018.

Measurement basis

10. The financial statements are prepared using the historic cost convention except for real estate assets that are recorded at depreciated replacement cost, financial assets

recorded at fair value through surplus or deficit and certain assets as stated in the notes to the financial statements.

Functional and presentation currency

11. The functional currency and the presentation currency of the organization is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

12. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange (UNORE) at the date of the transaction. UNORE approximates the spot rates prevailing at the date of each transaction. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the UNORE rate. Non-monetary foreign currency denominated items that are measured at fair value are translated at the UNORE rate at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year-end.

13. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimates

14. Materiality is central to the preparation and presentation of the organization's financial statements, and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

15. Preparing financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

16. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets/liabilities.

International Public Sector Accounting Standards transitional provisions

17. IPSAS 17, Property, plant and equipment, allows a transitional period of up to five years for the full recognition of capitalized property, plant and equipment. The organization invoked the transitional provision and has not recognized assets where reliable data is in the process of being collected.

Future accounting pronouncements

18. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the organization's financial statements continue to be monitored.

19. **Heritage assets**: The objective of the project is to develop accounting requirements for heritage assets.

20. **Non-exchange expenses**: The aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.

21. **Revenue**: The scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers).

22. **Leases**: The objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13. Approval of a new IPSAS on leases is projected for June 2019.

23. **Public sector measurement**: The objectives of this project include: (a) to issue amended IPSASs with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (b) to provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (c) to address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs.

24. **Infrastructure assets**: The objective of the project is to research and identify issues faced by preparers in applying IPSAS 17 to infrastructure assets with a view to providing additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

25. The following IPSAS requirements were recently issued: IPSAS 34 to 38 in 2015, effective 1 January 2017; IPSAS 39 in 2016, effective 1 January 2018; and IPSAS 40 in 2017, effective 1 January 2018. The impact of these standards on the organization's financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 34	The requirements for separate financial statements in IPSAS 34 are very similar to the requirements of the repealed IPSAS 6: Consolidated and separate financial statements. The introduction of IPSAS 34 with effect from 1 January 2017 has not affected UNEP financial statements.
IPSAS 35	IPSAS 35 still requires that control be assessed having regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control.

Standard	*Anticipated impact in the year of adoption*
	The other key change introduced by IPSAS 35 is the elimination of the IPSAS 6 exemption from consolidation of temporarily controlled entities. A desk review and assessment of UNEP financial statements control and interests in other arrangements was performed and confirmed the result of the previous review that there are no changes following adoption of the new standard.
IPSAS 36	A key change introduced by IPSAS 36 is the elimination of the IPSAS 7 exemption from application of the equity method where joint control or significant influence is temporary. A desk review and assessment of the arrangements between the United Nations and all its activities was performed and confirmed the result of the previous review that there are no instances of such temporary joint control or significant influence eliminated under IPSAS 36 in place of IPSAS 7. Furthermore, the scope of IPSAS 36 is limited to entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The applicability of IPSAS 36 to UNEP financial statements is therefore limited, as interests generally do not involve a quantifiable ownership interest.
IPSAS 37	IPSAS 37 introduces new definitions and has a significant impact on the way joint arrangements are classified and accounted for. These financial statements include joint venture arrangements accounted for using the equity method. Where these are formed under a binding agreement and assessed as being subject to joint control, they meet the IPSAS 37 definition of a joint arrangement. When assessed as being a joint venture, that is, when UNEP financial statements interest gives rise to rights over net assets, IPSAS 37 requires the equity method to be used and this will not represent a change in accounting policy. If there are rights to assets and obligations for liabilities, the interest is classified as a joint operation as reported in UNEP financial statements, which will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses. A United Nations system-wide survey of the arrangements between its organizations and joint arrangements revealed no changes to the arrangements, as previously concluded in a review performed by UNEP.
IPSAS 38	IPSAS 38 increases the extent of disclosures required for interest in other entities and could have a significant impact on UNEP financial statements. A desk review and assessment of the impact of IPSAS 38 between the United Nations and all its activities was performed and confirmed the result of the previous review that there are no impacts following adoption of the new standard.
IPSAS 39	Currently, IPSAS 39 will have no impact on the organization since the "corridor method" on actuarial gains or losses, which is being eliminated, has never been applied since the inception of IPSAS adoption in 2014. The organization does not have any plan assets; therefore there is no impact from application of the net interest approach prescribed by the standard. IPSAS 39 will be effective from 1 January 2018. Further analysis will be carried out in the future should the organization procure plan assets.

Standard	*Anticipated impact in the year of adoption*
IPSAS 40	There is currently no impact on the organization from the application of IPSAS 40 as to date there are no public-sector combinations which fall under UNEP financial statements. Any such impact of IPSAS 40 on the organization's financial statements will be evaluated for application by the organization after 1 January 2018, the effective date of the standard, should such combinations occur.

Note 3
Significant accounting policies

Financial assets classification

26. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The organization classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date.

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

27. All financial assets are initially measured at fair value. The organization initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the organization becomes party to the contractual provisions of the instrument.

28. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the UNORE exchange rates prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

29. Financial assets at fair value through surplus or deficit are those that either have been designated in this category at initial recognition or are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the period in which they arise.

30. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

31. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

32. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the organization has transferred substantially all risks and rewards of the financial asset.

33. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in cash pools

34. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities and other participating entities, including UNEP. These pooled funds are combined in two internally managed cash pools. Participation in the cash pools implies sharing the risk and returns on investments with the other participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investments portfolio to the extent of the amount of cash invested.

35 The organization's investment in the cash pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position, depending on the maturity period of the investments.

Financial assets: cash and cash equivalents

36. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Financial assets: receivables from non-exchange transactions — contributions receivable

37. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the organization by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, i.e. the allowance for doubtful receivables. If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method.

38. Voluntary contributions receivable and other receivables are subject to an allowance for doubtful receivables that is calculated at a rate of 25 per cent for outstanding receivables between one and two years; 60 per cent for two to three years; and 100 per cent for those in excess of three years.

39. For assessed contributions receivable, the allowance is calculated at a rate of 20 per cent for those outstanding one to two years; 60 per cent for those between two and three years; 80 per cent for those between three and four years; and 100 per cent for those over four years.

40. Outstanding receivables that are identified as requiring specific allowances are first identified and then the general allowance based on ageing is applied.

41. Decisions for write-offs are considered at the executive body level of the organization, the conventions or the Multilateral Fund, as appropriate.

Financial assets: receivable from exchange transactions — other receivables

42. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for operating lease arrangements, and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables are subject to specific review and an allowance for doubtful receivables is assessed based on recoverability and ageing following the general allowance provisions applied to voluntary contributions receivable.

Financial assets: notes receivable

43. Notes receivable consist of promissory notes pledged by Member States in support of the Multilateral Fund.

Other assets

44. Other assets include education grant advances and prepayments, including advances for the United Nations Development Programme (UNDP) Service Clearing Account, which are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Investments accounted for using the equity method

45. The equity method initially records an interest in a jointly controlled entity at cost, adjusted thereafter for the post-acquisition change in the organization's share of net assets. The organization's share of the surplus or deficit of the investee is recognized in the statement of financial performance. The interest is recorded under non-current assets unless there is a net liability position, in which case it is recorded under non-current liabilities. The organization also has entered into arrangements for jointly financed activities where the interests in such activities are accounted for using the equity method.

Advance transfers

46. Advance transfers relate mainly to cash transferred to executing agencies/implementing partners as an advance in order for them to provide agreed goods or services. Advances issued are initially recognized as assets, and then expenses are recognized when goods are delivered or services are rendered by the executing agencies/implementing partners and confirmed by receipt of certified expense reports, as applicable. In some instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual is needed. Balances due for a refund are transferred to other receivables which, where necessary, are subject to an allowance for doubtful receivables.

Inventories

47. Inventory balances, if any, are recognized as current assets and include the following categories:

Categories	*Subcategories*
Held for sale or external distribution	Books and publications, stamps
Raw materials and work in progress associated with items held for sale or external distribution	Construction materials/supplies, work in progress

Categories	*Subcategories*
Strategic reserves	Fuel reserves, bottled water and rations reserves
Consumables and supplies	Material holdings of consumables and supplies, including spare parts and medicines

48. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase, plus other costs incurred in bringing the items to the destination and condition for use. Inventories acquired through non-exchange transactions, that is, donated goods, are measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or for consumption in the production of goods/services are valued at the lower of cost and current replacement cost.

49. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the organization. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

50. Holdings of consumables and supplies for internal consumption are capitalized in the statement of financial position only when material. Such inventories are valued by the periodic weighted average or the moving average methods based on records available in the inventory management systems, such as Galileo and Umoja, which are validated through the use of thresholds, cycle counts and enhanced internal controls. Valuations are subject to impairment review, which takes into consideration the variances between moving average price valuation and current replacement cost, as well as slow-moving and obsolete items.

51. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value, which are recognized in the statement of financial performance.

Heritage assets

52. Heritage assets are not recognized in the financial statements, but significant heritage assets are disclosed in notes to the financial statements.

Property, plant and equipment

53. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost is greater than or equal to the threshold of $5,000 or $100,000 for leasehold improvements and self-constructed assets;

(b) All property, plant and equipment, other than real estate assets, are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to

bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example the cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets;

(d) With respect to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.

54. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the component approach. Depreciation begins in the month in which the organization gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are set out below.

Estimated useful lives of property, plant and equipment classes

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6–12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years

Class	*Subclass*	*Estimated useful life*
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20–50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

55. In exceptional cases, the recorded useful lives for some assets may be different from the useful lives prescribed at the asset subclass level as set out above (although it would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance a thorough review of the remaining economic useful lives for these assets was made and the result had been entered in the master record of the asset.

56. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation and property, plant and equipment are incorporated into the financial statements to reflect a depreciation floor of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets.

57. The organization chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the organization and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

58. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

59. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying

amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end, net-book-value greater than $100,000 per unit are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000.

Intangible assets

60. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire. The threshold for recognition is $100,000 for internally generated intangible assets and $5,000 per unit for externally acquired intangible assets.

61. Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by the organization are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultant costs and other applicable overhead costs.

62. Intangible assets with a definite useful life are amortized on a straight-line method, over their estimated useful lives starting from the month of acquisition or when the intangible assets become operational.

63. The useful lives of major classes of intangible assets have been estimated as shown below.

Estimates of useful lives of major classes of intangible assets

Class	*Range of estimate useful life*
Software acquired externally	3–10 years
Software internally developed	3–10 years
Licences and rights	2–6 years (period of licence/right)
Copyrights	3–10 years
Assets under development	Not amortized

64. Annual impairment reviews of intangible assets are conducted where assets are under construction or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

Financial liabilities: classification

65. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfer payables, unspent funds held for future refunds, and other liabilities such as inter-fund balance payables. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with duration of less than 12 months are recognized at their nominal value. The organization re-evaluates the classification of financial liabilities at each reporting date and de-recognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

66. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for as at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months. Transfers payable within this category relate to amounts owed to executing entities/implementing agencies and partners and residual balances due to be returned to donors.

Advance receipts and other liabilities

67. Advance receipts consist of advance receipts relating to contributions or payments received in advance, assessments or voluntary contributions received for future years and other deferred revenue. Advance receipts are recognized as revenue at the start of the relevant financial year or based on the organization's revenue recognition policies. Other liabilities include liabilities for conditional funding arrangements and other miscellaneous items.

Leases: the organization as lessee

68. Leases of property, plant and equipment where the organization has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

69. Leases where all the risks and rewards of ownership are not substantially transferred to the organization are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the term of the lease.

Leases: the organization as lessor

70. The organization often leases out assets under operating leases. Leased-out assets are reported under property, plant and equipment, and lease revenue is recognized in the statement of financial performance over the term of the lease on a straight-line basis.

Donated rights to use

71. Land, buildings, infrastructure assets, machinery and equipment are frequently granted to the organization, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases, depending on whether an assessment of the agreement indicates that control over the underlying assets is transferred to the organization.

72. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. In addition, a liability for the same amount is recognized, which is

progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

73. Where title to land is transferred to the organization without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

74. The threshold for the recognition of revenue and expense is the yearly rental value equivalent of $5,000 for donated right-to-use premises and $5,000 for machinery and equipment.

Employee benefits

75. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship with the organization are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

76. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes, and home leave) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid are recognized as current liabilities within the statement of financial position.

Post-employment benefits

77. Post-employment benefits comprise the after-service health insurance plan and end-of-service repatriation benefits that are accounted for as defined-benefit plans, in addition to the pension provided through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

78. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the organization (other long-term benefits). Defined-benefit plans are those where the organization's obligation is to provide agreed benefits and therefore the organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has elected to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the end of the reporting year, the organization did not hold any plan assets as defined by IPSAS 25: Employee benefits.

79. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation

is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

80. **After-service health insurance**: this provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependents. Upon end of service, staff members and their dependents may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the organization's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the organization's residual liability. Contributions from retirees are deducted from the gross liability, and a portion of the contributions from active staff is also deducted to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

81. **Repatriation benefits**: Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the organization and is measured as the present value of the estimated liability for settling these entitlements.

82. **Annual leave**: The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

83. UNEP is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. UNJSPF is a funded, multi-employer defined-benefit plan. As specified in article 3(b) of its Regulations, membership of UNJSPF shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system

of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

84. UNJSPF exposes participating organizations to actuarial risks associated with the current and former employees of other participating organizations, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to participating organizations. The organization and UNJSPF, in line with the other participating organizations, is not in a position to identify the organization's proportional share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, the organization has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 25. The organization's contributions to UNJSPF during the financial year are recognized as employee benefit expenses in the statement of financial performance.

Termination benefits

85. Termination benefits are recognized as an expense only when the organization is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

86. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service.

87. **Appendix D benefits**. Appendix D to the Staff Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. Actuaries value these liabilities, and changes in the liability are recognized in the statement of financial performance.

Provisions

88. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

Contingent liabilities

89. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organization are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will

be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

90. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

91. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

92. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the organization. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the organization.

Commitments

93. Commitments are future expenses that are to be incurred by the organization on contracts entered into by the reporting date and that the organization has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the organization in future periods, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: assessed contributions

94. Assessed contributions for the organization comprise the UNEP regular budget allocation and the assessed contributions of its multilateral environment conventions and the Multilateral Fund. Assessed contributions are assessed and approved for a budget period of one or more years. The one-year proportion of the assessed contributions is recognized as revenue at the beginning of the year. Assessed contributions include the amounts assessed on Member States and non-Member States to finance the activities of the organization in accordance with the agreed scale of assessments. Revenues from assessed contributions from Member States and from non-member States are presented in the statement of financial performance.

Non-exchange revenue: voluntary contributions

95. Voluntary contributions and other transfers that are supported by legally enforceable agreements are recognized as revenue at the time the agreement becomes binding, which is the point when the organization is deemed to acquire control of the asset. However, where cash is received subject to specific conditions or when contributions are explicitly given for a specific operation to commence in a future financial year, recognition is deferred until those conditions have been satisfied. Revenue will be recognized up front for all conditional arrangements up to the threshold of $50,000.

96. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding. These, as well as agreements not yet formalized by acceptance, are disclosed as contingent assets. For unconditional

multi-year agreements the full amount is recognized as revenue when the agreement becomes binding.

97. Unused funds returned to the donor are netted against revenue.

98. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the organization to administer projects or other programmes on their behalf.

99. In-kind contributions of goods above the recognition threshold of $5,000 are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the organization and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The organization has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of services above the threshold of $5,000 in the notes to the financial statements.

Exchange revenue

100. Exchange transactions are those in which the organization sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met, as follows:

(a) Revenue from sales of publications, books and stamps and by the United Nations Gift Shop and Visitor Centre is recognized when the sale occurs and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities and other partners, including the Global Environment Fund, is recognized when the service is performed;

(c) Exchange revenue also includes income from the rental of premises, net gains on the sale of used or surplus property, plant and equipment, income from services provided to visitors in relation to guided tours, and income from net gains resulting from currency exchange adjustments.

(d) An indirect cost recovery or "programme support cost" is charged to trust funds as a percentage of direct costs, including commitments and other "extrabudgetary" activities, to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by assessed funds and/or other core resources of the Secretariat. The programme support cost is eliminated for the purposes of financial statement preparation, as disclosed in note 4, "Segment reporting". The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

Investment revenue

101. Investment revenue includes the organization's share of net cash pool revenue and other interest revenue. Net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between sales proceeds and book value. Transaction costs that are directly attributable to investment activities are netted against revenue, and the net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances. Cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

102. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

103. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.

104. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, foreign exchange losses, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowance for doubtful accounts. Other expenses relate to contributions in kind, hospitality and official functions and donations or transfers of assets.

105. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects. Supplies and consumables relate to the cost of inventory used and expenses for supplies. For outright grants, an expense is recognized at the point at which the organization has a binding obligation to pay.

106. Programme activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by executing entities/implementing partners to service a target population that typically includes Governments, non-governmental organizations and United Nations agencies. Transfers to implementing partners are initially recorded as advances, and balances that are not expensed during the year remain outstanding at the end of the year and are reported in the statement of financial position. These executing entities/implementing partners provide the organization with certified expense reports documenting their use of resources, which are the basis for recording expenses in the statement of financial performance. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an impairment should be recorded against the advance and submit the accounting adjustment. Where a transfer of funds is deemed to be an outright grant, an expense is recognized at the point that the organization has a binding obligation to pay, which is generally upon disbursement. Binding agreements to fund executing entities/ implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Multi-partner trust funds

107. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities. They are assessed to determine the existence of control and whether the organization is considered to be the principal of the programme or activity. Where control exists and the organization is exposed to the risks and rewards associated with the multi-partner trust fund activities, such

programmes or activities are considered to be the organization's operations and are therefore reported in full in the financial statements.

Note 4
Segment reporting

108. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

109. Segment reporting information is provided on the basis of seven segments:

(a) Environment Fund;

(b) Regular budget;

(c) Other support to the UNEP programme of work;

(d) Conventions and protocols;

(e) Multilateral Fund;

(f) Programme support;

(g) End-of-service and post-retirement benefits.

110. Both the statement of financial position and the statement of financial performance are as shown below.

All funds: statement of financial position for the period ended 31 December 2017, by segment

(Thousands of United States dollars)

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*	*Conventions and protocols*	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2017*	*31 December 2016*
Assets										
Current assets										
Cash and cash equivalents	2 850	–	31 493	9 267	7 102	906	3 298	–	54 916	169 714
Investments	25 357	–	282 599	82 490	61 095	8 069	29 363	–	488 973	300 456
Assessed contributions receivable	–	–	11 450	19 318	–	–	–	30 768	21 469	
Voluntary contributions receivable	981	–	232 821	26 566	130	–	–		260 498	248 434
Other receivables	357	–	25 374	918	1 946	174	–	(25 886)	2 883	2 423
Advance transfers	915	–	160 191	11 763	101 422	229	–	(14 947)	259 573	276 191
Other assets	1 853	–	5 603	1 333	49	1 130	–	–	9 968	16 591
Total current assets	**32 313**	**–**	**738 081**	**143 787**	**191 062**	**10 508**	**32 661**	**(40 833)**	**1 107 579**	**1 035 278**
Non-current assets										
Investments	7 959	–	88 704	25 892	19 177	2 533	9 216	–	153 481	144 677
Assessed contributions receivable	–	–	–	–	–	–	–	–	–	2 203
Voluntary contributions receivable	–	–	450 024	8 382	–	–	–	–	458 406	417 864
Property plant and equipment	1 279	–	197	100	33	–	–	–	1 609	1 740
Intangible assets	–	–	300	–	–	–	–	–	300	25
Advance transfers	–	–	–	–	174 378	–	–	(32 575)	141 803	148 732
Total non-current assets	**9 238**	**–**	**539 225**	**34 374**	**193 588**	**2 533**	**9 216**	**(32 575)**	**755 599**	**715 241**
Total assets	**41 551**	**–**	**1 277 306**	**178 161**	**384 650**	**13 041**	**41 877**	**(73 408)**	**1 863 178**	**1 750 519**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	1 191	–	21 145	3 096	387	160	5	–	25 984	44 433
Advance receipts	640	–	41 074	5 725	27 634	–	–	–	75 073	64 201
Employee benefits liabilities	703	–	1 282	689	65	92	5 055	–	7 886	10 075

	Environment Fund	Other support to UNEP			Multilateral Fund	Programme support	End-of-service and post-retirement benefits	Intersegment eliminations	31 December 2017	31 December 2016
		Regular budget	programme of work	Conventions and protocols						
Provisions	55	–	–	–	–	–	–	–	55	–
Other liabilities	–	–	103 457	18 063	–	–	–	(25 886)	95 634	81 583
Total current liabilities	**2 589**	**–**	**166 958**	**27 573**	**28 086**	**252**	**5 060**	**(25 886)**	**204 632**	**200 292**
Non-current liabilities										
Employee benefits liabilities	–	–	–	–	–	–	198 162	–	198 162	136 002
Total non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**198 162**	**–**	**198 162**	**136 002**
Total liabilities	**2 589**	**–**	**166 958**	**27 573**	**28 086**	**252**	**203 222**	**(25 886)**	**402 794**	**336 294**
Total net of total assets and total liabilities	**38 962**	**–**	**1 110 348**	**150 588**	**356 564**	**12 789**	**(161 345)**	**(47 522)**	**1 460 384**	**1 414 225**
Net assets										
Accumulated surpluses/(deficits): unrestricted	18 962	–	1 109 423	139 676	356 564	8 289	(161 345)	(47 522)	1 424 047	1 379 476
Reserves	20 000	–	925	10 912	–	4 500	–	–	36 337	34 749
Total net assets	**38 962**	**–**	**1 110 348**	**150 588**	**356 564**	**12 789**	**(161 345)**	**(47 522)**	**1 460 384**	**1 414 225**

All funds: statement of financial performance for the period ended 31 December 2017, by segment

(Thousands of United States dollars)

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*[a]	*Conventions and protocols*[b]	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2017*	*31 December 2016*[c]
Segment revenue										
Assessed contributions	–	25 389	–	54 030	144 837	–	–	–	224 256	213 689
Voluntary contributions	68 579	–	140 687	25 424	19 558	–	–	–	254 248	266 654
Other transfers and allocations	–	–	158 510	8 735	–	170	–	(15 265)	152 150	258 092
Investment revenue	380	–	3 895	1 203	2 984	189	467	–	9 118	4 804
Other revenue	207	–	10 691	3 722	1 454	23 118	6 924	(29 973)	16 143	2 458
Total revenue	**69 166**	**25 389**	**313 783**	**93 114**	**168 833**	**23 477**	**7 391**	**(45 238)**	**655 915**	**745 697**
Segment expense										
Employee salaries, allowances and benefits	50 384	22 100	44 595	31 745	3 483	15 100	9 784	(6 886)	170 305	171 991
Non-employee compensation and allowances	737	1 032	20 732	3 024	243	282	–	–	26 050	23 109
Grants and other transfers	572	1 328	167 918	15 088	111 561	98	–	(15 134)	281 431	262 022
Supplies and consumables	85	7	153	72	3	8	–	–	328	339
Depreciation	192	–	25	11	–	–	–	–	228	180
Amortization	–	–	42	–	–	–	–	–	42	7
Travel	2 305	446	17 056	6 834	294	283	–	–	27 218	25 882
Other operating expenses	7 288	476	24 537	13 715	5 293	10 744	–	(23 218)	38 835	59 207
Exchange losses from the fixed exchange rate mechanism	–	–	–	–	15 443	–	–	–	15 443	17 428
Other expenses	258	–	1 325	772	–	–	–	–	2 355	2 098
Total segment expenses	**61 821**	**25 389**	**276 383**	**71 261**	**136 320**	**26 515**	**9 784**	**(45 238)**	**562 235**	**562 263**
Surplus/(deficit) for the year	**7 345**	**–**	**37 400**	**21 853**	**32 513**	**(3 038)**	**(2 393)**	**–**	**93 680**	**183 434**

[a] See also annex I.
[b] See also annex II.
[c] Comparatives have been restated to conform to the current presentation.

Note 5
Comparison to budget

111. The statement of comparison of budget and actual amounts (statement V) presents the difference between budget amounts, which are prepared on a modified cash basis, and actual expenditure on a comparable basis.

112. Approved budgets are those that permit expenses to be incurred and are approved by the United Nations Environment Assembly. For IPSAS reporting purposes, approved budgets are the appropriations authorized by United Nations Environment Assembly resolutions.

113. The original budget amounts are the 2017 proportion of the appropriation for the biennium 2016–2017 approved by the United Nations Environment Assembly on 27 June 2014. The final appropriation for the Environment Fund for 2017 was less than the original budget approved by the United Nations Environment Assembly. The original budget was approved on the basis of the projected voluntary contributions to the Environment Fund, whereas the final appropriation was based on the funds that were made available on the basis of the Environment Fund balance brought forward at the start of the period and contributions received during the year.

114. Material differences between the final budget appropriation and actual expenditure on a modified cash basis are deemed to be those greater than 10 per cent. For the current reporting period, no material variances have occurred.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

115. The reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is shown below.

Reconciliation for the year ended 31 December 2017

(Thousands of United States dollars)

Reconciliation	*Operating*	*Investing*	*Financing*	*Total 2017*
Actual amounts on comparable basis (statement V)	(86 771)	–	–	(86 771)
Basis differences	1 064	(560)	–	504
Entity differences	59 629	–	–	59 629
Timing differences	–	–	–	–
Presentation differences	94 174	(188 203)	5 869	(88 160)
Actual amount in statement of cash flows (statement IV)	**68 096**	**(188 763)**	**5 869**	**(114 798)**

116. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the non-cash elements such as unliquidated obligations, payments against prior-year obligations, property, plant and equipment and outstanding assessed contributions are included as basis differences.

117. Entity differences represent cash flows of fund groups other than the organization that are reported in statement V of the financial statements. The financial statements include results for all fund groups.

118. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for the organization.

119. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which are related primarily to the non-recording income in statement V and the net changes in cash pool balances.

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Cash at bank and on hand	8	17
Cash Pool cash and term deposits	54 908	169 697
Total cash and cash equivalents	**54 916**	**169 714**

120. Cash and cash equivalents include trust fund monies which are for the specific purposes of the respective trust funds.

Note 7
Investments

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current Cash Pool	488 973	300 456
Non-current cash pools	153 481	144 677
Total	**642 454**	**445 133**

121. Investments include amounts in relation to trust funds and funds held in trust.

Note 8
Receivables from non-exchange transactions: assessed contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2017*	*31 December 2016*
Assessed contributions — member state	213 839	–	213 839	209 896
Notes receivables	8 925	–	8 925	5 776
Total	**222 764**	**–**	**222 764**	**215 672**
Allowance for doubtful receivables — member state	(191 996)	(191 996)	(192 000)	
Total Assessed contributions receivable	**30 768**	**–**	**30 768**	**23 672**

Note 9
Receivables from non-exchange transactions: voluntary contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2017*	*31 December 2016*
Member States	61 161	21 120	82 281	87 448
Other governmental organizations	1 523	511	2 034	2 962
United Nations organizations	125 095	418 192	543 287	522 211
Private donors[a]	78 551	18 583	97 134	64 603
Total voluntary contributions receivable before allowance	**266 330**	**458 406**	**724 736**	**677 244**
Allowance for doubtful receivables current	(5 832)	–	(5 832)	(10 946)
Total voluntary contributions receivable	**260 498**	**458 406**	**718 904**	**666 298**

[a] Major private donors consist of the European Union, the Adaptation Fund, the Natural Environment Research Council, the FIA Foundation for the Automobile and Society, the Climate Works Foundation and the MAVA Foundation.

Note 10
Other receivables

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current other receivables		
Other accounts receivable	3 572	2 999
Subtotal	**3 572**	**2 999**
Allowance for doubtful receivables	(689)	(576)
Total other receivables (current)	**2 883**	**2 423**

Note 11
Advance transfers

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Advance transfers (current)	259 573	276 191
Advance transfers (non-current)	141 803	148 732
Total advance transfers	**401 376**	**424 923**

Note 12
Other assets

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Advances to UNDP and other United Nations agencies	3 943	8 361
Advances to vendor	83	194
Advances to staff	3 612	4 735
Advances to other personnel	1 280	1 583
Deferred charges	775	395
Other assets; other	275	1 323
Total other assets	**9 968**	**16 591**

Note 13
Heritage assets

122. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The organization's heritage assets were acquired over many years by various means, including purchase, donation and bequest. These heritage assets do not generate any future economic benefits or service potential; accordingly, the organization elected not to recognize heritage assets in the statement of financial position.

123. The organization does not own any significant heritage assets.

Note 14
Property, plant and equipment

124. In accordance with IPSAS 17, opening balances are initially recognized at cost or fair value as at 1 January 2014 and measured at cost thereafter. The opening balance of buildings was obtained on 1 January 2014, on the basis of depreciated replacement cost, and was validated by external professionals. Machinery and equipment are valued using the cost method.

125. During the year, the organization did not write down property, plant and equipment on account of accidents, malfunctions and other losses. As at the reporting date, the organization did not identify any additional impairment.

Property, plant and equipment

(Thousands of United States dollars)

	Building	*Furniture and fixtures*	*Communication and IT Equipment*	*Vehicles*	*Machinery and equipment*	*Total*
Cost as at 1 January 2017	**972**	**473**	**1 799**	**1 280**	**68**	**4 592**
Additions	–	–	315	69	–	384
Disposals	(130)	(45)	(424)	(136)	(10)	(745)
Other changes	–	–	47	–	–	47
Cost as at 31 December 2017	**842**	**428**	**1 737**	**1 213**	**58**	**4 278**
Accumulated depreciation as at 1 January 2017	**(47)**	**(399)**	**(1 486)**	**(891)**	**(29)**	**(2 852)**

	Building	*Furniture and fixtures*	*Communication and IT Equipment*	*Vehicles*	*Machinery and equipment*	*Total*
Depreciation	(23)	(10)	(119)	(76)	–	(228)
Disposal	9	45	234	132	10	430
Other changes	–	–	(19)	–	–	(19)
Accumulated depreciation as at 31 December 2017	**(61)**	**(364)**	**(1 390)**	**(835)**	**(19)**	**(2 669)**
Net carrying amount 31 December 2017	**781**	**64**	**347**	**378**	**39**	**1 609**

Note 15
Intangible assets

126. All intangible assets acquired before 1 January 2014, except for the capitalized costs associated with the Umoja project, are subject to the IPSAS transition exemption and are therefore not recognized.

(Thousands of United States dollars)

	Software acquired externally	*Licences and rights*	*Umoja*	*Other*	*Total*
Cost as at 1 January 2017	**37**	–	–	–	**37**
Additions	153	23	–	–	176
Other changes	159	–	–	–	159
Cost as at 31 December 2017	**349**	**23**	–	–	**372**
Accumulated amortization as at 1 January 2017	**(12)**	–	–	–	**(12)**
Amortization	(41)	(1)	–	–	(42)
Other changes	(18)	–	–	–	(18)
Accumulated amortization as at 31 December 2017	**(71)**	**(1)**	–	–	**(72)**
Net carrying amount 31 December	**278**	**22**	–	–	**300**

Note 16
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Vendor payables (accounts payable)	2 225	1 949
Transfers payable	309	1 990
Payables to Member States	4 185	2 350
Payables to other United Nations entities	1 175	11 123
Accruals for Goods and Services	10 717	5 325
Accounts payable — other	7 373	21 696
Total accounts payable and accrued liabilities	**25 984**	**44 433**

Note 17
Advance receipts

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current advance receipts		
Deferred revenue	75 072	64 201
Total advance receipts	**75 072**	**64 201**

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2017*	*31 December 2016*
After-service health insurance	1 704	164 639	166 343	102 375
Annual leave	1 256	13 188	14 444	15 906
Repatriation benefits	2 096	20 335	22 431	22 352
Subtotal defined-benefit liabilities	**5 056**	**198 162**	**203 218**	**140 633**
Accrued salaries and allowances	2 811	-	2 811	5 444
Pension Contributions Liabilities	20	–	20	–
Total employee benefits liabilities	**7 887**	**198 162**	**206 049**	**146 077**

127. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations of the United Nations. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2017.

Actuarial valuation: assumptions

128. The organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations at 31 December 2017 and 31 December 2016 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*	*Appendix D/workers' compensation*[a]
Discount rates 31 December 2016	3.45	3.50	3.55	–
Discount rates 31 December 2017	3.30	3.48	3.52	–
Inflation 31 December 2016	4.00-6.4	2.25	–	2.25
Inflation 31 December 2017	4.00-6.0	2.25	–	2.25

[a] For the appendix D/workers' compensation valuation, the actuaries applied the year-end Citigroup Pension Discount Curve discount rate applicable to the year in which the cash flows take place.

129. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), euros (the EY Eurozone corporate yield curve) and Swiss francs (Federation bonds yield curve, plus the spread observed between government rates and high grade corporate bonds rates). The slightly lower discount rates were assumed for the 31 December 2017 valuation owing to a slight variation in the inflation rates from 31 December 2016.

130. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2017 were updated to include escalation rates for future years. As at 31 December 2017, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent (2016: 4.0 per cent) for non-United States medical plans, health-care escalation rates of 6.0 per cent (2016: 6.4 per cent) for all other medical plans, except 5.7 per cent (2016: 5.7 per cent) for the United States Medicare plan and 4.9 per cent (2016: 4.9 per cent) for the United States dental plan, grading down to 4.5 per cent (2016: 4.5 per cent) over 10 years.

131. With regard to the valuation of repatriation benefits as at 31 December 2017, inflation in travel costs was assumed to be 2.25 per cent (2016: 2.25 per cent), on the basis of the projected United States inflation rate over the next 10 years.

132. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1–3 years — 10.9 days; 4–8 years — 1 day; and more than 8 years — 0.5 days up to the maximum of 60 days. The assumption is consistent with the 2016 valuation. The attribution method continues to be used for annual leave actuarial valuation.

133. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation. Appendix D/workers' compensation uses mortality assumptions based on World Health organization statistical tables.

Note 19
Movement in employee benefits liabilities accounted for as defined-benefit plans

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total 2017*
Net benefit liability at 1 January 2017	**102 375**	**22 352**	**15 906**	**140 633**
Current service cost	6 638	1 591	964	9 193
Interest cost	3 515	741	538	4 794
Actual benefits paid	(961)	(2 363)	(1 468)	(4 792)
Total costs recognized in the statement of financial performance in 2017	**9 192**	**(31)**	**34**	**9 195**
Subtotal	**111 567**	**22 321**	**15 940**	**149 828**

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total 2017*
Actuarial (gains)/loss[a]	54 776	110	(1 496)	53 390
Net defined liability as at 31 December 2017	**166 343**	**22 431**	**14 444**	**203 218**

[a] The cumulative amount of actuarial gains and losses recognized in the statement of changes in net assets is $53.4 million.

Discount rate sensitivity analysis

134. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets vary over the reporting period, and the volatility has an impact on the discount rate assumption. Should the assumption vary by 1 per cent, its impact on the obligations would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2017	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(32 538)	(1 858)	(1 273)
As percentage of end-of-year liability	(20%)	(8%)	(9%)
Decrease of discount rate by 1 per cent	44 090	2 148	1 480
As percentage of end-of-year liability	27%	10%	10%

Medical cost sensitivity analysis

135. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 1 per cent, this would have an impact on the measurement of the defined-benefit obligations, as shown below.

Medical costs sensitivity analysis: 1 per cent movement in the assumed medical cost trend rates

(Thousands of United States dollars)

2017	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	28.28%	28 952	(21.01%)	(21 506)
Effect on aggregate of the current service cost and interest cost	3.34%	3415	(2.40%)	(2 463)

(Thousands of United States dollars)

2016	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	26.5%	44 114	(19.94%)	(33 161)
Effect on aggregate of the current service cost and interest cost	2.48%	4 127	(1.80%)	(2 999)

Other defined-benefit plan information

136. Benefits paid for 2017 are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined-benefits payments (net of participants' contributions in these schemes) are shown in the table below.

Estimated defined benefits payments, net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	***Total***
Estimated 2017 defined benefit payments net of participants' contributions	961	2 363	1 468	**4 792**
Estimated 2016 defined benefit payments net of participants' contributions	771	2 968	1 914	**5 653**

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December 2017

(Thousands of United States dollars)

	2016	*2015*	*2014*	*2013*	*2012*	*2011*
Present value of the defined benefits obligations	140 633	131 220	162 052	113 888	112 273	102 111

Accrued salaries and allowance

137. Accrued salaries and allowances comprise $1.7 million relating to home leave benefits and $0.8 million for accrued salaries payable. The remaining balance of $0.3 million relates to other benefits.

United Nations Joint Staff Pension Fund

138. The UNJSPF Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of UNJSPF will be sufficient to meet its liabilities.

139. UNEP's financial obligation to UNJSPF consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

140. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biannual cycle, a roll-forward of the participation data as of

31 December 2013 to 31 December 2016 was used by UNJSPF for its 2016 financial statements. An actuarial valuation as of 31 December 2017 is currently being performed.

141. The roll-forward of the participation data as of 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 101.4 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

142. After assessing the actuarial sufficiency of UNJSPF, the Consulting Actuary concluded that there was no requirement, as of 31 December 2016, for deficiency payments under article 26 of the UNJSPF Regulations as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of preparation of the present report, the General Assembly has not invoked the provision of article 26.

143. During 2017, the UNEP contributions paid to UNJSPF have been fully settled.

144. The United Nations Board of Auditors carries out an annual audit of UNJSPF and reports to its Pension Board on the audit every year. UNJSPF publishes quarterly reports on its investments and these can be viewed online at www.unjspf.org.

Fund for compensation payments maintained under Volume I: Appendix D workers' compensation

145. The fund for compensation payments relates to the payment of compensation with regard to death, injury or illness attributable to the performance of official duties. The rules governing compensation payments are contained in appendix D to the Staff Rules. The fund allows the organization to continue to fulfil its obligation to make compensation payments for death, injury or illness. The fund derives its revenue from a charge of 1.0 per cent of net base remuneration, including post adjustment for eligible personnel. It covers Appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payments for injury or illness as well as medical expenses.

Impact of General Assembly resolutions on staff benefits

146. On 23 December 2015, the General Assembly adopted resolution 70/244, by which it approved certain changes to the conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes affect the calculation of other long-term and end-of-service employee benefits liabilities. In addition, a revised education grant scheme has been implemented that affects the computation of this short-term benefit. The impact of these changes is explained as follows:

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65 and for those who joined before 1 January 2014 is 60 or 62. The General Assembly decided to extend the mandatory age of separation for staff recruited before 1 January 2014 by organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff. This change has been implemented as of 1 January 2018 and affects future calculations of employee benefits liabilities.

Change	*Details*
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependency rates as from 1 January 2017 and was implemented in September 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations of the United Nations and Staff Rules. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation.
Repatriation benefit	Staff members are eligible to receive a repatriation grant upon separation provided they have been in service for at least one year at a duty station outside their country of nationality. The General Assembly has since revised eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain the one-year eligibility. This change in eligibility criteria has already been implemented in September 2017 and is expected to affect future calculations of employee benefits liabilities.
Education Grant	With effect from the school year in progress on 1 January 2018, the computation of education grant given to eligible staff members utilizes a global sliding scale that is set in a single currency (United States dollar) with the same maximum amount of the grant for all countries. In addition, this revised education grant scheme also changes boarding assistance and education grant travel provided by the organization. Impacts will be seen at the end of the 2017/18 school year and at the time of settlements.

The impact of the changes will be fully reflected in the actuarial valuation to be conducted in 2017.

Note 20
Provisions

147. As at the reporting date, the organization had the following legal claims that required the recognition of provisions.

Movement in provisions

(Thousands of United States dollars)

	Litigation and Claims
Provisions as at 1 January 2017	–
Additional provisions made	55
Amounts reversed	–
Amounts used	–
Provisions as at 31 December 2017	**55**

Note 21
Other liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Liabilities for conditional arrangements	95 634	81 583
Total other liabilities	**95 634**	**81 583**

Note 22
Net assets

Accumulated surpluses deficits

148. The unrestricted accumulated surplus includes the accumulated deficit for employee benefits liabilities, the net positions of after-service health insurance, repatriation benefit and annual leave liabilities.

149. The following table shows the status of the organization's net assets balances and movements, by segment.

Net assets balances and movements[a]

(Thousands of United States dollars)

	1 January 2017	*Surplus (deficit)*	*UNEP internal implementation elimination*	*Other movements*	*31 December 2017*
Unrestricted fund balance					
Environment Fund	11 617	7 345	–	–	**18 962**
Other support to UNEP programme of work[b]	1 018 633	37 400	5 869	–	**1 061 902**
Conventions and protocols[c]	119 411	21 853	–	(1 588)	**139 676**
Multilateral Fund	324 051	32 513	–	–	**356 564**
Programme support	11 327	(3 038)	–	–	**8 289**
End-of-service liabilities	(105 563)	(2 393)	–	(53 390)	**(161 346)**
Subtotal unrestricted fund balance	**1 379 476**	**93 680**	**5 869**	**(54 978)**	**1 424 047**
Reserves					
Environment Fund	20 000	–	–	–	**20 000**
Other support to UNEP programme of work	925	–	–	–	**925**
Conventions and protocols	9 324	–	–	1 588	**10 912**
Multilateral Fund	–	–	–	–	–

	1 January 2017	*Surplus (deficit)*	*UNEP internal implementation elimination*	*Other movements*	*31 December 2017*
Programme support	4 500	–	–	–	**4 500**
Subtotal reserves	**34 749**	–	–	**1 588**	**36 337**
Total net assets					
Environment Fund	31 617	7 345	–	–	**38 962**
Other support to UNEP programme of work	1 019 558	37 400	5 869	–	**1 062 827**
Conventions and protocols	128 735	21 853	–	–	**150 588**
Multilateral Fund	324 051	32 513	–	–	**356 564**
Programme support	15 827	(3 038)	–	–	**12 789**
End-of-service liabilities	(105 563)	(2 393)	–	(53 390)	**(161 346)**
Total net assets	**1 414 225**	**93 680**	**5 869**	**(53 390)**	**1 460 384**

[a] Net assets movements, including fund balances, are IPSAS-based
[b] See also annex I
[c] See also annex II

Note 23
Revenue from non-exchange transactions

Assessed contributions

150. Assessed contributions of $224.2 million (2016: $213.7 million) have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the various conferences of parties and the policies of the United Nations, on the basis of the agreed budget scale of assessment. An amount of $25.4 million (2016: $23.9 million) of this is an allocation from the United Nations Secretariat.

151. Each biennium, the organization receives an allocation from the United Nations regular budget, which is included in assessed contributions. These are reported under Volume I, a related entity, but are also included in these statements for completeness. In addition, internally within the organization, funds are allocated for implementation that is reflected as other transfers and allocations in the statement of financial performance.

Assessed contributions

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Assessed contributions		
Assessed contributions by Member State Governments	199 999	196 768
Bilateral transfers from the Multilateral Fund	(1 132)	(7 049)
Allocations from regular budget	25 389	23 970
Amount reported in statement II, "Assessed contributions"	**224 256**	**213 689**

	31 December 2017	*31 December 2016[a]*
Voluntary contributions		
Voluntary contributions: in cash	256 920	267 014
Voluntary contributions: in kind	2 298	2 037
Total voluntary contributions received	**259 218**	**269 051**
Refunds	(4 970)	(2 397)
Net voluntary contributions received	**254 248**	**266 654**

[a] Comparatives have been restated to conform to the current presentation.

	31 December 2017	*31 December 2016*
Other transfers and allocations		
Allocations received from United Nations internal funds	152 150	258 092
	152 150	**258 092**

Other transfers and allocations

152. Revenue from non-exchange transactions includes other transfers and allocations, mainly received from United Nations entities.

Services in kind

153. In-kind contributions of services received during the year are not recognized as revenue and, therefore, are not included in the above in-kind contributions revenue. Services in kind confirmed during the year are shown below.

Services in kind

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Technical assistance/expert services	747	968
Administrative support	1 330	10 607
Total	**2 077**	**11 575**

Note 24
Other revenue

(Thousands of United States dollars)

	31 December 2017	*31 December 2016[a]*
Refund of prior year expenses	–	816
Other/miscellaneous revenue	1 265	721
Revenue-producing activities and other miscellaneous revenue	14 878	921
Total other exchange revenue	**16 143**	**2 458**

[a] Comparatives have been restated to conform to current presentation.

Note 25
Expenses

Employee salaries, allowances and benefits

154. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances.

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Salary and wages	131 478	133 498
Pension and insurance benefits	36 759	35 255
Other benefits	2 068	3 238
Total employee salaries, allowances and benefits	**170 305**	**171 991**

Non-employee compensation and allowances

155. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts and non-military personnel compensation and allowances.

Non-employee compensation and allowances

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
United Nations Volunteers	1 020	971
Consultants and contractors	25 000	21 795
Other	30	343
Total non-employee compensation and allowances	**26 050**	**23 109**

Grants and other transfers

156. Grants and other transfers include outright grants to implementing agencies, partners and other entities; see note 31 for more details.

Grants and other transfers

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Grants to end beneficiaries: direct	2 974	3 710
Grants to end beneficiaries: indirect	26	181
Transfers to implementing partner direct expense	278 431	258 131
Total grants and other transfers	**281 431**	**262 022**

Supplies and consumables

157. Supplies and consumables include consumables, fuel and lubricants and spare parts, as set out in the table below.

Supplies and consumables

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Fuel and lubricants	8	10
Spare parts	41	41
Consumables	279	288
Total supplies and consumables	**328**	**339**

Travel

158. Travel includes staff and representative travel as shown below.

Travel expenses

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Staff travel	13 034	13 082
Representative travel	14 184	12 800
Total travel	**27 218**	**25 882**

Other operating expenses

159. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and write-off expenses.

Other operating expenses

(Thousands of United States dollars)

	31 December 2017	*31 December 2016[a]*
Air transport	62	6
Ground transport	277	227
Communication and IT	7 253	7 191
Other contracted services	20 970	18 997
Acquisitions of goods	133	1 146
Acquisitions of intangible assets	279	292
Rent: offices and premises	8 380	8 312
Rental: equipment	438	519
Maintenance and repair	1 440	796
Bad debt expense	(5 003)	13 230

	31 December 2017	31 December 2016[a]
Net foreign exchange losses	3 797	8 136
Other/miscellaneous operating expenses	809	355
Total other operating expenses	**38 835**	**59 207**

[a] Comparatives have been restated to conform to current presentation.

Exchange losses from the fixed-rate mechanism

160. The Multilateral Fund operates a fixed exchange-rate mechanism (initially approved for implementation by the Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer in its s to the decision XI/6 of 17 December 1999 and extended for the 2016-2017 period in its decision XXVI/11 of 10 December 2014) which, subject to fulfilling certain criteria, allows parties to op in advance to pay their contributions for the forthcoming triennium, in their own currencies, at a predetermined exchange rate to the United States dollar fixed prior to the triennium. The exchange losses of $15.4 million (2016 $17.4 million) resulted from the difference between the actual United Sates dollar equivalent of the respective contributions received as compared to the United Sates dollar receivable that had been established in UNEP's books of account.

Exchange losses from the fixed exchange-rate mechanism

(Thousands of United States dollars)

	31 December 2017	31 December 201
Exchange losses from the fixed exchange rate mechanism	15 443	17 423

Other expenses

161. Other expenses relate largely to hospitality and official functions, and donation/transfer of assets.

(Thousands of United States dollars)

	31 December 2017	31 December 2016
Contributions in kind	2 298	2 017
Other/miscellaneous expenses	57	91
Total other expenses	**2 355**	**2 [illegible]**

Note 26
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	31 December 2017	31 De[illegible]
Financial assets		
Fair value through the surplus or deficit		
Short-term investments: main pool	488 973	[illegible]
Total short-term investments	**488 973**	**[illegible]**

	31 December 2017	*31 December 2016*
Long-term investments: main pool	153 481	144 677
Total long-term investments	**153 481**	**144 677**
Total fair value through surplus or deficit	**642 454**	**445 133**
Cash, loans and receivables		
Cash and cash equivalents: main pool	54 908	169 697
Cash and cash equivalents — other	8	17
Cash and cash equivalents	**54 916**	**169 714**
Assessed contributions	30 768	23 672
Voluntary contributions	718 904	666 298
Other receivables	2 883	2 423
Other assets (excluding advances)	180	-
Total cash, loans and receivables	**807 651**	**862 107**
Total carrying amount of financial assets	**1 450 105**	**1 307 240**
Of which relates to financial assets held in main pool	697 362	614 830
Other investment revenue	9 118	4 804
Financial liabilities at amortized cost		
Accounts payable and accrued payables (excluding deferred payables)	25 984	44 433
Total carrying amount of financial liabilities	**25 984**	**44 433**
Summary of net income from financial assets		
Other investment revenue	1 662	186
Investment revenue	7 860	6 373
Foreign exchange gains/(losses)	(404)	(1 755)
Total net income from financial assets	**9 118**	**4 804**

Financial risk management: overview

162. The organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

163. This present note and note 28, "Financial instruments: cash pools", present information on the organization's exposure to the above-mentioned risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk management framework

164. The organization's risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines (Guidelines). The organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives

are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The organization manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Credit risk

165. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables. The carrying value of financial assets less allowances for doubtful receivables is the maximum exposure to credit risk.

Credit risk management

166. The investment management function is centralized at United Nations Headquarters, and under normal circumstances other areas are not permitted to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

Contributions receivable and other receivables

167. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. As at the reporting date, the organization did not hold any collateral as security for receivables.

Allowance for doubtful receivables

168. The organization evaluates the allowance of doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the organization will not collect the full amount due. Balances credited to the allowance for doubtful receivables account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. The movement in the allowances account during the year is as shown below.

Movement in allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Opening allowance for doubtful receivables	**203 522**	**190 311**
Additional allowance for doubtful receivables	–	13 211
Doubtful receivables adjustment for current year	(5 003)	–
Closing allowance for doubtful receivables	**198 519**	**203 522**

169. The ageing of contributions receivables and associated allowance is as shown below.

Ageing of assessed contributions receivable

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	26 090	–
One to two years	3 191	638
Two to three years	1 538	922
Three to four years	2 857	2 286
Over four years	167 319	167 319
Special allowance	21 769	20 831
Total	**222 764**	**191 996**

Ageing of voluntary contributions receivable

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired	458 406	–
Less than one year	255 762	–
One to two years	4 711	1 178
Two to three years	3 005	1 802
Over three years	2 852	2 852
Total	**724 736**	**5 832**

Ageing of other receivables

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	2 743	–
One to two years	–	–
Two to three years	350	210
Over three years	479	479
Total	**3 572**	**689**

Cash and cash equivalents

170. The organization had cash and cash equivalents of $54.9 million as at 31 December 2017 (2016: $169 7 million), which is the maximum credit exposure on these assets. Cash and cash equivalents are held with bank and financial institution counterparties rated at "A-" and above, based on the Fitch viability rating.

Liquidity risk

171. Liquidity risk is the risk that the organization might not have adequate funds to meet its obligations as they fall due. The organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organization's reputation.

172. The Financial Regulations and Rules require that expenses be incurred after the receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to the amounts receivable.

173. The organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Financial liabilities

174. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations. At the reporting date, the organization had not pledged any collateral for any liabilities or contingent liabilities, and in the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the organization can be required to settle each financial liability are shown below.

Maturities for financial liabilities as at 31 December 2017

(Thousands of United States dollars)

	< 3 months	*3 to 12 months*	*> 1 year*	*Total*
Maturities for financial liabilities: as at 31 December 2017, undiscounted accounts payable and accrued payables	15 267	10 717	–	25 984

Market risk

175. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the organization's income or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the organization's fiscal position.

Interest rate risk

176. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to change in interest rates. In general, as the interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in note 27.

Currency risk

177. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The organization has transactions, assets and liabilities in currencies other than its functional currency and is exposed to currency risk arising from fluctuations in

exchange rates. Management policies and the Guidelines require the organization to manage its currency risk exposure.

178. The organization's financial assets and liabilities are denominated primarily in United States dollars. Non-United States dollar financial assets relate primarily to investments in addition to cash and cash equivalents and receivables held in order to support local operating activities where transactions are made in local currencies. The organization maintains a minimum level of assets in local currencies and, whenever possible, maintains bank accounts in United States dollars. The organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to foreign currency needs for operational purposes. The most significant exposure to currency risk relates to cash pool cash and cash equivalents. At the reporting date, the non-United States dollar denominated balances in these financial assets were primarily euros and Swiss francs, along with over 30 other currencies, as shown below.

Currency exposure of the cash pools as at 31 December 2017

(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	***Total***
Currency exposure of the main cash pools as at 31 December 2017	689 623	1 790	1 603	4 346	**697 362**

Sensitivity analysis

179. A strengthening/weakening of the euro and Swiss franc UNORE exchange rates as at the reporting date would have affected the measurement of investments denominated in a foreign currency and increased or decreased net assets and surplus or deficit by the amounts shown below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on net assets, surplus or deficit

(Thousands of United States dollars)

	As at 31 December 2017		*As at 31 December 2016*	
	Effect on net asset surplus or deficit		*Effect on net asset surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	2 076	(2 076)	1 297	(1 297)
Swiss franc (10 per cent movement)	1 859	(1 859)	8 445	(8 445)

Other market price risk

180. The organization is not exposed to significant other price risk, as it has limited exposure to price-related risk related to expected purchases of certain commodities used regularly in operations. A change in those prices may alter cash flows by an immaterial amount.

Accounting classifications and fair value

181. Owing to the short-term nature of cash and cash equivalents, including cash pool term deposits with original maturities of less than three months, receivables and payables, the carrying value is a fair approximation of fair value.

Fair value hierarchy

182. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

(c) Level 3: inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

183. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian on the basis of the valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

Fair value hierarchy

(Thousands of United States dollars)

	31 December 2017			*31 December 2016*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds: corporates	30 736	–	30 736	47 667	–	47 667
Bonds: non-United States agencies	102 960	–	102 960	130 052	–	130 052
Bonds: non-United States sovereigns	10 805	–	10 805	8 530	–	8 530
Bonds: supranational	14 997	–	14 997	14 568	–	14 568
Bonds: United States treasuries	52 798	–	52 798	40 08	–	40 086
Main pool: commercial papers	58 135	–	58 135	10 199	–	10 199
Main pool: term deposits	–	372 023	372 023	–	194 031	194 031
Main pool total	**270 431**	**372 023**	**642 454**	**251 102**	**194 031**	**445 133**

184. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Valuation techniques maximize the use of observable market data where it is available. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

185. There were no level 3 financial assets, nor any liabilities carried at fair value, nor any significant transfers of financial assets between fair value hierarchy classifications.

Note 27
Financial instruments: main pool

186. In addition to directly held cash and cash equivalents and investments, UNEP participates in the United Nations Treasury main pool. The main pool comprises of operational bank account balances in a number of currencies and investments in United States dollars.

187. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

188. As at 31 December 2017, UNEP participated in the main pool and that held total assets of $8,086.5 million (2016: $9,033.6 million), of which $697.4 million was due to the organization (2016: $614.8 million), and its share of revenue from the main pool was $7.8 million (2016: $4.9 million).

Summary of assets and liabilities of the main pool as at 31 December 2017

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	5 645 952
Long-term investments	1 779 739
Total fair value through the surplus or deficit investments	**7 425 691**
Loans and receivables	
Cash and cash equivalents	636 711
Accrued investment revenue	24 098
Total loans and receivables	**660 809**
Total carrying amount of financial assets	**8 086 500**
Cash pool liabilities	
Payable to UNEP	697 362
Payable to other cash pool participants	7 389 138
Total liabilities	**8 086 500**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2017

(Thousands of United States dollars)

	Main pool
Investment revenue	104 576
Unrealized gains/(losses)	874
Investment revenue from main pool	**105 450**

	Main pool
Foreign exchange gains/(losses)	7 824
Bank fees	(853)
Operating expenses from main pool	**6 971**
Revenue and expenses from main pool	**112 421**

Summary of assets and liabilities of the main pool as at 31 December 2016

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	4 389 616
Long-term investments	2 125 718
Total fair value through the surplus or deficit investments	**6 515 334**
Loans and receivables	
Cash and cash equivalents	2 493 332
Accrued investment revenue	24 961
Total loans and receivables	**2 518 293**
Total carrying amount of financial assets	**9 033 627**
Cash pool liabilities	
Payable to UNEP	200 862
Payable to other cash pool participants	8 832 765
Total liabilities	**9 033 627**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2016

(Thousands of United States dollars)

	Main pool
Investment revenue	73 903
Unrealized gains/(losses)	(13 474)
Investment revenue from main pool	**60 429**
Foreign exchange gains/(losses)	(5 105)
Bank fees	(646)
Operating expenses from main pool	**(5 751)**
Revenue and expenses from main pool	**54 678**

Financial risk management

189. The United Nations Treasury is responsible for investment and risk management for the main pool, including conducting investment activities in accordance with the Guidelines.

190. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

191. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

192. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible main pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

193. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

194. The credit ratings used for the main pool are those determined by major credit-rating agencies; Standard and Poor's and Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Investments of the cash pool by credit ratings as at 31 December 2017

(Percentage)

Main pool	*Ratings as at 31 December 2017*					*Ratings as at 31 December 2016*				
Bonds (long-term ratings)										
	AAA	*AA+/AA/AA-*	*A+*	*NR*		*AAA*	*AA+/AA/AA-*	*BBB*	*NR*
Standard & Poor's	30.5	65.5	4.0	–	Standard & Poor's	33.6	55.1	5.6	5.7
Fitch	61.3	30.6	–	8.1%	Fitch	62.4	28.3		9.3
	Aaa	*Aa1/Aa2/Aa3*				*Aaa*	*Aa1/Aa2/Aa3*		
Moody's	55.3	44.7			Moody's	50.3	49.7		
Commercial papers (short-term ratings)									
	A-1+/A-1					*A-1*			
Standard & Poor's	100.0				Standard & Poor's	100.0			
	F1					*F1*			
Fitch	100.0				Fitch	100.0			
	P-1					*P-1*			
Moody's	100.0				Moody's	100.0			

Main pool	*Ratings as at 31 December 2017*			*Ratings as at 31 December 2016*			
Reverse repurchase agreement (short-term ratings)							
	A-1+				*A-1+*		
Standard & Poor's	100.0			Standard & Poor's	100.0		
	F1+				*F1+*		
Fitch	100.			Fitch	100.		
	P-1				*P-1*		
Moody's	100.0			Moody's	100.0		
Term deposits (Fitch viability ratings)							
	aaa	*aa/aa-*	*a+/a/a-*		*aaa*	*aa/aa-*	*a+/a*
Fitch	–	44.2	55.8	Fitch	–	48.1	51.9

195. The United Nations Treasury actively monitors credit ratings and, because the organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for impaired investments.

Financial risk management: liquidity risk

196. The main pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals at short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The main pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

197. The main pool comprises the organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than four years (2016: five years). The average duration of the main pool was 0.61 years (2016: 0.71 years), which is considered to be an indicator of low risk.

Main pool interest rate risk sensitivity analysis

198. This analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. If the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown below (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2017

Other market price risk

199. The main pool is not exposed to significant other price risks because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

200. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

201. The levels are defined as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

202. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and if those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the main pool is the current bid price.

203. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

204. The following fair value hierarchy presents the main pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets, no liabilities carried at fair value and no significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December: main pool

(Thousands of United States dollars)

	31 December 2017			*31 December 2016*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds: corporates	355 262	–	355 262	697 676	–	697 676
Bonds: non-United States agencies	1 190 050	–	1 190 050	1 903 557	–	1 903 557
Bonds: non-United States sovereigns	124 892	–	124 892	124 854	–	124 854
Bonds: supranational	173 275	–	173 275	213 244	–	213 224
Bonds: United States treasuries	610 267	–	610 267	586 739	–	586 739
Main pool: commercial papers	671 945	–	671 945	149 285	–	149 284
Main pool: term deposits	–	4 300 000	4 300 000	–	2 840 000	2 840 000
Main pool total	**3 125 691**	**4 300 000**	**7 425 691**	**3 675 355**	**2 840 000**	**6 515 355**

Note 28
Related parties

Key management personnel

205. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the organization. For UNEP, the key management personnel group is deemed to comprise the Executive Director of UNEP, the Deputy Executive Director of UNEP, the Head of the New York office of UNEP and the Executive Secretary of the Secretariat for the Convention on Biological Diversity.

206. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements such as grants, subsidies, employer pension and health insurance contributions.

207. The organization's key management personnel were paid $1.28 million over the financial year; such payments are in accordance with the Staff Regulations and Staff Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

Compensation of key management personnel

(Thousands of United States dollars)

	Key management personnel	*Close family members*	*Total*
Number of positions (full-time equivalents)	4	–	4
Aggregate remuneration:			
Salary and post adjustment	1 002	–	1 002
Other compensation/entitlements	147	–	147
Total remuneration for the year ended 31 December 2017	**1 149**	**–**	**1 149**

208. Non-monetary and indirect benefits paid to key management personnel were not material.

209. No close family member of key management personnel was employed by the organization at the management level. Advances made to key management personnel are those made against entitlements in accordance with the staff rules and regulations; and such advances against entitlements are widely available to all staff of the organization.

Related entity transactions

210. In the ordinary course of business, to achieve economies in executing transactions, financial transactions of the organization are often executed by one financial reporting entity on behalf of another. Before the introduction of the Umoja system, these had to be manually followed up and settled. In Umoja, settlement occurs when the service provider is paid.

Note 29
Leases and commitments

Finance leases

211. The organization does not normally enter into finance leases for the use of land, permanent and temporary buildings and equipment, and had no finance leases during the period.

Operating leases

212. The organization enters into operating leases for the use of land, permanent and temporary buildings and equipment. The total operating lease payments recognized in expenditure for the year were $7.0 million. Future minimum lease payments under non-cancellable arrangements are shown below.

Future minimum operating lease obligations

(Thousands of United States dollars)

	Minimum lease payment as at 31 December 2017	*Minimum lease payment as at 31 December 2016*
Due in less than 1 year	7 354	6 879
Due in 1 to 5 years	1 695	4 424
Due later than 5 years	–	–
Total minimum operating lease obligations	**9 049**	**11 303**

213. These contractual leases typically run between one and six years, with some leases allowing extension clauses and/or permitting early termination within 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

Contractual commitments

214. At the reporting date, the commitments for property, plant and equipment; intangible assets; implementing partners; and goods and services contracted but not delivered were as shown below. These include contracts with partners for multi-year projects.

Contractual commitments by category

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Goods and services	20 765	20 759
Implementing partners	516 861	450 965
Multilateral Fund implementing partners	292 603	324 866
Total contractual commitments	**830 229**	**796 590**

219. The amount under the Multilateral Fund is implemented by the four implementing partners set out below.

(Thousands of United States dollars)

	Total 31 December 2017	*Total 31 December 2016*
United Nations Environment Fund	18 491	16 047
United Nations Industrial Development organization	35 528	29 040
World Bank	20 920	53 547
United Nations Development Programme	36 621	29 019
Total	**111 560**	**127 653**

220. The amounts from the United Nations Development Programme, the United Nations Industrial Development organization and the World Bank are recorded based on unaudited expenditure, based on the approval of the Executive Committee of the Multilateral Fund in order to allow UNEP to comply with the requirement to issue the financial statements by 31 March of the following year. There is, however, an agreement that the implementing agencies will provide audited expenditures as soon as they become available, but not later than 30 September of the following year.

221. Authorized advance transfers from the Multilateral Fund to the implementing agencies are issued for the full, multi-year project implementation period. Amounts against which expense reports are expected to be received by the end of 2017, calculated on the basis of the average levels of expenses reported in prior years, are classified as current assets in the statement of financial position and the balances are classified as non-current assets.

Note 32
Future year contributions

222. The organization has an amount of $169 million worth of signed contributions from voluntary contributions for implementation in future years.

Note 33
Events after the reporting date

223. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Note 34
Statement of cash flows for the year ended 31 December 2017

Environment Fund

(Thousands of United States dollars)

	Note	*31 December 2017*	*31 December 2016*
Cash flow from operating activities			
Surplus/(deficit) for the year		7 345	(492)
Non-cash movements			
Depreciation and amortization		192	160
Transfers and donated property, plant and equipment and intangibles		–	(5)

	Note	31 December 2017	31 December 2016
Net gain/loss on disposal of property plant and equipment		(6)	
Changes in assets			
(Increase)/decrease in voluntary contributions receivable		1 374	5 565
(Increase)/decrease in other receivables		228	2 122
(Increase)/decrease in advance transfers		155	1 373
(Increase)/decrease in other assets		918	1 061
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		(1 192)	(3 280)
Increase/(decrease) in advance receipts		338	(41)
Increase/(decrease) in employee benefits payable		(559)	(4)
Increase/(decrease) in judges' benefits liabilities		55	–
Increase/(decrease) in provisions		–	(192)
Investment revenue presented as investing activities		(380)	(112)
Net cash flows from/(used in) operating activities		**8 468**	**6 155**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		(13 480)	(2 137)
Investment revenue presented as investing activities		380	112
Acquisitions of property plant and equipment		(88)	–
Net cash flows from/(used in) operating activities		**(13 188)**	**(2 025)**
Net cash flows from/(used in) financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		(4 720)	4 130
Cash and cash equivalents: beginning of year		7 570	3 440
Cash and cash equivalents: end of year	4	**2 850**	**7 570**

Note 35
Statement of cash flows for the year ended 31 December 2017

Multilateral Fund

(Thousands of United States dollars)

	Note	31 December 2017	31 December 2016
Cash flow from operating activities			
Surplus/(deficit) for the year		32 513	(16 978)
Non-cash movements			
Depreciation and amortization		–	2
Changes in assets			
(Increase)/decrease in assessed contributions receivable		(5 580)	(878)
(Increase)/decrease in voluntary contributions receivable		(3)	(127)
(Increase)/decrease in other receivables		(552)	8 641
(Increase)/decrease in advance transfers		31 415	(25 045)
(Increase)/decrease in other assets		114	(50)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		(14 432)	14 500

	Note	31 December 2017	31 December 2016
Increase/(decrease) in advance receipts		2 976	1 960
Increase/(decrease) in employee benefits payable		(44)	109
Increase/(decrease) in other liabilities		–	(48)
Investment revenue presented as investing activities		(2 984)	(820)
Net cash flows from/(used in) operating activities		**43 423**	**(18 734)**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		(50 612)	16 854
Investment revenue presented as investing activities		2 984	820
Net cash flows from/(used in) investing activities		**(47 628)**	**17 674**
Cash flow from financing activities			
Adjustments to net assets		–	3 340
Net cash flows from/(used in) financing activities		**–**	**3 340**
Net increase/(decrease) in cash and cash equivalents		(4 205)	2 280
Cash and cash equivalents: beginning of year		11 307	9 027
Cash and cash equivalents: end of year	4	**7 102**	**11 307**

Annex I

Other support to UNEP programme of work segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2017

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2017*	*Revenue*	*Expense*	*Net assets 31 December 2017*
CCL	Technical cooperation trust fund for the management of the UNEP/GEF special climate change fund programme	18 681	–	18 681	(568)	2 288	15 825
FBL	Technical cooperation trust fund for the implementation of the Global Environment Facility fee-based system for funding project implementation	14 000	–	14 000	13 307	9 050	18 257
GFL	Technical cooperation trust fund for UNEP implementation of the activities funded by the Global Environment Facility	504 376	–	504 376	87 739	78 107	514 008
LDL	Technical cooperation for the management of the UNEP/GEF national adaptation programme of action for least developed countries	81 420	–	81 420	5 235	5 624	81 031
NPL	Trust fund for the Nagoya Protocol implementation fund	5 228	–	5 228	(110)	472	4 646
Global Environment Fund: total		**623 705**	–	**623 705**	**105 603**	**95 541**	**633 767**
AEL	General trust fund for the purpose of post-conflict environmental assessment	22 887	–	22 887	4 616	9 497	18 006
AFB	Technical cooperation trust fund for UNEP activities as multilateral implementing entity of the Adaptation Fund Board	9 787	–	9 787	11 921	4 572	17 136
AHL	Technical cooperation trust fund to assist the implementation of Agenda 21 in Europe and to strengthen pan-European environmental cooperation (financed by the Government of the Netherlands)	6	–	6	–	–	6
AML	General trust fund for the African Ministerial Conference on the Environment	2 759	–	2 759	332	500	2 591
BKL	General trust fund for the clean-up of hotspots following the Kosovo conflicts and preparation of guidelines on assessment and remedial measures for post-conflict environmental damages	41	–	41	(29)	–	12
BLL	General trust fund in support of the UNEP/UN-Habitat Balkans task force on environment and human settlements	93	–	93	1	–	94

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2017*	*Revenue*	*Expense*	*Net assets 31 December 2017*
BPL	Technical cooperation trust fund for the implementation of the agreement with Belgium	233	–	233	3	1	235
CFL	Technical cooperation trust fund for the implementation of the framework agreement on strategic cooperation between the Ministry of Environmental Protection of China and UNEP	4 407	–	4 407	2 054	1 284	5 177
CIL	Technical cooperation trust fund to support the implementation of the strategic plan for remediation activities following the toxic waste incident in Abidjan, Côte d'Ivoire	64	–	64	1	–	65
CLL	Trust fund to support the activities of the Climate Technology Centre and Network	13 718	–	13 718	6 223	8 547	11 394
CML	Trust fund for the special programme to enhance implementation of the Basel, Rotterdam and Stockholm Conventions, the Minamata Convention and the Strategic Approach to International Chemicals Management	3 430	–	3 430	4 208	1 477	6 161
CNL	Technical cooperation trust fund for the UNEP climate-neutral fund	783	–	783	140	203	720
CPL	Counterpart contributions in support of Environment Fund activities	116 452	–	116 452	78 119	51 815	142 756
CWL	General trust fund for the African Ministerial Council on Water	3	–	3	–	–	3
DPL	Technical cooperation trust fund for the partnership agreement between the Government of the Netherlands and UNEP	25	–	25	–	–	25
DUL	General trust fund to support the activities of the Dams and Development Unit to coordinate follow-up to the World Commission on Dams	49	–	49	1	–	50
EBL	General trust fund for implementing national biodiversity strategies and action plans	261	–	261	4	–	265
ECL	Technical cooperation trust fund to support achievement of contribution agreement No. 21 (0401/2011/608174/SUB/E2)	4 208	–	4 208	11 050	9 533	5 725
EEL	General trust fund for environmental emergencies	23	–	23	–	–	23
EML	Technical cooperation trust fund for activities in developing countries on environmental awareness and machinery (financed by the Government of Germany)	244	–	244	3	–	247

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2017*	*Revenue*	*Expense*	*Net assets 31 December 2017*
ESS	Technical cooperation trust fund for UNEP implementation of ecosystem-based adaptation	3 684	–	3 684	24	329	3 379
ETL	Trust fund for the environmental training network in Latin America and the Caribbean	228	–	228	104	37	295
EUL	Technical cooperation trust fund to support achievement of contribution agreement No. DCI-ENV/2010/258-800	5 253	–	5 253	1 579	4 785	2 047
FGL	Senior Programme Officer (UNEP/Global Programme of Action for the Protection of the Marine Environment from Land-based Activities)	–	–	–	–	–	–
FIL	General trust fund to support the activities of the UNEP financial services initiative on the environment	6 933	–	6 933	3 546	3 607	6 872
FML	Technical transfer: francophone Africa	–	–	–	–	–	–
FSL	Technical cooperation trust fund to support implementation of the Seed Capital Assistance Facility	7 982	–	7 982	1 097	668	8 411
FTL	Revolving fund activities	90	–	90	21	25	86
GCF	Green Climate Fund	–	–	–	22 390	–	22 390
GCL	Green Climate Fund research and follow-up	–	–	–	2 193	271	1 922
GIL	Technical cooperation trust fund to provide experts to UNEP/Global Resource Information Database (financed by the Government of the United States of America)	65		65	1	–	66
GML	Working group on hydrocarbons refrigeration: Germany	–	–	–	–	–	–
GNL	Coordination Office of the Global Programme of Netherlands	–	–	–	–	–	–
GPL	General trust fund in support of the implementation of the Global Programme of Action and related information exchange and technical assistance	1 563	–	1 563	88	206	1 445
GRL	Technical cooperation trust fund for the implementation of the greening economies in the Eastern neighbourhood and Central Asia programme	901	–	901	278	704	475
GWL	Global International Waters Project: Finland	–	–	–	–	–	–
HLL	UNEP High-level Committee of Ministers and Officials	–	–	–	–	–	–
IAL	Technical cooperation trust fund for Irish Aid: multilateral environment fund for Africa	708	–	708	9	160	557

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2017*	*Revenue*	*Expense*	*Net assets 31 December 2017*
IEL	Technical cooperation trust fund to improve the environment in the Democratic People's Republic of Korea	579	–	579	8	–	587
IGL	Open-ended consultative group of ministers on international environmental governance	–	–	–	–	–	–
IML	Technical cooperation trust fund for UNEP implementation of Multilateral Fund activities	54 707	–	54 707	15 167	19 817	50 056
IPL	Technical cooperation trust fund to assist the implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in developing countries (financed by the Government of Sweden)	40	–	40	–	–	40
ITL	INFOTERRA USA	–	–	–	–	–	–
JCL	Technical cooperation trust fund for the establishment of the International Environmental Technology Centre in Japan	6 980	–	6 980	2 579	3 183	6 376
LAL	Lusaka Agreement task force cooperation enforcement	10	–	10	–	–	10
MCL	General trust fund in support of the preparation of a global assessment of mercury and its compounds	10 892	–	10 892	1 400	4 990	7 302
MDL	Technical cooperation trust fund for UNEP implementation of the Millennium Development Goals achievement fund	132	–	132	(23)	(6)	115
MHL	Industrial environment/raw material management assistance: Sweden	–	–	–	–	–	–
NFL	Technical cooperation trust fund for the implementation of the framework agreement between UNEP and Norway	48 880	–	48 880	6 711	11 756	43 835
PES	Trust fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services	12 650		12 650	6 336	6 913	12 073
PFL	Government-designated group of experts on chemical risk reduction	–	–	–	–	–	–
PGL	Technical cooperation trust fund for the implementation of the Partnership for Action on Green Economy	6 127	–	6 127	381	2 635	3 873
POL	General trust fund in support of the preparation for, and negotiation of, an international legally binding instrument for action on persistent organic pollutants and related information exchange	693	–	693	7	72	628
PPL	General trust fund in support of the preparation and negotiation of an international legally binding instrument for the application of the prior informed consent procedure for	261	–	261	4	–	265

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2017	Revenue	Expense	Net assets 31 December 2017
	certain hazardous chemicals in international trade						
PUL	UNEP personnel reforms: United States	–	–	–	–	–	–
QGL	Support of the Global Environment Facility	2 546	–	2 546	1 135	464	3 217
RCL	Implementation of Governing Council decisions: North America	–	–	–	–	–	–
RED	Technical cooperation trust fund to support UNEP programme of work and responsibilities of United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries	16 548	–	16 548	1 408	8 699	9 257
REL	Technical cooperation trust fund for the promotion of renewable energy in the Mediterranean region	4 764	–	4 764	244	690	4 318
RPL	General trust fund to support participation of developing countries in reporting on the state of the marine environment	9	–	9	–	1	8
RUL	UNEP meetings programming and administration: United States	–	–	–	–	–	–
SAL	Trust fund for the financing of the new international environment prize (Sasakawa Environment Prize)	2	–	2	–	–	2
SCP	Technical cooperation trust fund for the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns	9 734	–	9 734	3 212	2 216	10 730
SEL	Technical cooperation trust fund for implementation of agreement with Sweden	12 876	–	12 876	421	3 056	10 241
SFL	Technical cooperation trust fund implementation of framework agreement between Spain and UNEP	2 190	–	2 190	373	516	2 047
SLP	Trust fund to support activities of the Climate and Clean Air Coalition to Reduce Short-lived Climate Pollutants	40 403	–	40 403	13 409	12 796	41 016
SML	General trust fund for the Strategic Approach to International Chemicals Management: quick start programme	2 453	–	2 453	2 249	568	4 134
SRL	General trust fund for voluntary contributions in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation	558	–	558	157	227	488
UCL	Technical cooperation trust fund for enhancement of cooperation between UNEP and United Nations Conference Centre	2	–	2	(2)	–	–
UKL	Executive Assistant Executive Director: United Kingdom	–	–	–	–	–	–

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2017*	*Revenue*	*Expense*	*Net assets 31 December 2017*
UTL	Technical cooperation trust fund for implementation of UNEP/UNCTAD capacity-building task force on trade, environment and development	41	–	41	–	–	41
VML	Technical cooperation trust fund to assist developing countries to take action for the protection of the ozone layer under the Vienna Convention for the Protection of the Ozone Layer and its Montreal Protocol (financed by the Government of Finland)	210	–	210	3	–	213
WPL	General trust fund to provide support to the Global Environment Monitoring System/Water Programme office	67	–	67	1	–	68
	Other support to UNEP programme of work (non-GEF, non-Junior Professional Officer): total	**441 234**	**–**	**441 234**	**205 157**	**176 814**	**469 576**
TBL	Technical cooperation trust fund for provision of Junior Professional Officers (financed by the Government of Belgium)	288	–	288	3	92	199
CEL	Technical cooperation trust fund for financing of Professional Officers (financed by the Government of Finland)	503	–	503	234	450	287
CSL	Technical cooperation trust fund for the provision of a Senior Professional Officer to UNEP (financed by the Government of Canada)	25	–	25	–	–	25
SNL	Special purpose trust fund for the provision of a Professional Officer to UNEP/SBC	386	–	386	5	166	225
TCL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden)	277	–	277	4	–	281
TDL	Special purpose trust fund for the Government of Denmark agreement with UNEP for the provision of Junior Professional Officers	630	–	630	8	16	622
TEL	Technical cooperation trust fund for the provision of Professional and Junior Professional Officers (financed by the Government of the United States)	22	–	22	–	–	22
TGL	Special purpose trust fund for the provision of Junior Professional Officers (financed by the Government of Germany)	1 012	–	1 012	1 209	900	1 321
THL	Technical cooperation trust fund for the provision of Junior Professional	55	–	55	240	237	58

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2017*	*Revenue*	*Expense*	*Net assets 31 December 2017*
	Officers (financed by the Government of the Netherlands)						
TIL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Italy)	209	–	209	466	237	438
TJL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Japan)	1 931	–	1 931	(55)	690	1 186
TKL	Technical cooperation trust fund for the provision of Professional Officers (financed by the Government of the Republic of Korea)	265	–	265	109	118	256
TNL	Special purpose trust fund for the Government of Norway agreement with UNEP for the provision of Junior Professional Officers	858	–	858	195	459	594
TPL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Spanish Agency for International Development Cooperation)	538	–	538	5	168	375
TRL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of France)	631	–	631	388	272	747
TSL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Sweden)	380	–	380	212	223	369
	Trust funds for Junior Professional Officers: total	**8 010**	**–**	**8 010**	**3 023**	**4 028**	**7 005**
	Other support to UNEP programme of work: total	**1 072 949**	**–**	**1 072 949**	**313 783**	**276 383**	**1 110 348**

Annex II

Conventions and protocols segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2017

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2017*	*Revenue*	*Expense*	*Net assets 31 December 2017*
BDL	Trust fund to assist developing countries and other countries in need of technical assistance in the implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	3 412	–	3 412	1 547	593	4 366
BCL	Trust fund for the Basel Convention	3 759		3 759	4 649	4 062	4 346
ROL	General trust fund for the operational budget of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	2 616		2 616	4 688	3 530	3 774
SCL	General trust fund for the Stockholm Convention on Persistent Organic Pollutants: its subsidiary bodies and the Convention	1 801		1 801	5 816	4 883	2 734
QRL	Support of the Basel Convention	10	–	10	–	–	10
RSL	Technical cooperation trust fund to support implementation of the Rotterdam and Stockholm Conventions in developing countries	258	–	258	3	–	261
RVL	General trust fund for the Rotterdam Convention	1 070	–	1 070	905	585	1 390
SVL	Special trust fund for the Stockholm Convention: its subsidiary bodies and the Convention	4 607		4 607	2 245	3 720	3 132
	Basel, Rotterdam and Stockholm Conventions: total	**17 533**	**–**	**17 533**	**19 853**	**17 373**	**20 013**
QCL	Support of the Action Plan for the Caribbean Environment Programme	3 178	–	3 178	210	643	2 745
CRL	Regional trust fund for implementation of the Action Plan for the Caribbean Environment Programme	2 430	30	2 460	1 350	1 288	2 522
	Caribbean Environment Programme: total	**5 608**	**30**	**5 638**	**1 560**	**1 931**	**5 267**

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2017*	*Revenue*	*Expense*	*Net assets 31 December 2017*
CAP	Trust fund for the core budget of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related protocols	2 940	–	2 940	852	451	3 341
CAR	Trust fund for the core budget of the Carpathian Convention	214	–	214	271	2	483
Carpathian Convention: total		**3 154**	**–**	**3 154**	**1 123**	**453**	**3 824**
BEL	General trust fund for additional voluntary contributions in support of approved activities under the Convention on Biological Diversity	28 621	–	28 621	5 259	5 948	27 932
BHL	Special voluntary trust fund for additional voluntary contributions in support of approved activities	2 092	–	2 092	186	342	1 936
BBL	Trust fund for the core programme budget for the Nagoya Protocol	983	–	983	1 542	1 126	1 399
BGL	General trust fund for the core programme budget for the Biosafety Protocol	2 986	–	2 986	2 799	2 074	3 711
BYL	General trust fund for the Convention on Biological Diversity	7 582	–	7 582	13 534	9 922	11 194
BXL	Additional voluntary contributions in support of approved activities of the Nagoya Protocol	187	–	187	146	134	199
BZL	General trust fund for voluntary contributions to facilitate the participation of parties in the process of the Convention on Biological Diversity	253	–	253	221	324	150
VBL	General trust fund for voluntary contributions to facilitate the participation of indigenous and local communities in the work of the Convention on Biological Diversity	91	–	91	221	76	236
Convention on Biological Diversity: total		**42 795**	**–**	**42 795**	**23 908**	**19 946**	**46 757**
EAP	Multi-donor implementation: Africa	1 333	–	1 333	496	355	1 474
QTL	Support of Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) activities	13 016	–	13 016	4 152	4 335	12 833
CTL	Trust fund for CITES	4 096	–	4 096	6 215	5 086	5 225
CITES: total		**18 445**	**–**	**18 445**	**10 863**	**9 776**	**19 532**
AVL	General trust fund for voluntary contributions in respect of the Agreement on the Conservation of African-Eurasian Migratory Waterbirds	1 611	–	1 611	472	487	1 596

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2017	Revenue	Expense	Net assets 31 December 2017
MTL	Technical cooperation trust fund for the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South-East Asia	280	–	280	132	90	322
MVL	General trust fund for voluntary contributions in support of the Convention on the Conservation of Migratory Species of Wild Animals	8 240	–	8 240	2 050	2 197	8 093
QFL	Support of the secretariat of the Agreement on the Conservation of Populations of European Bats	40	–	40	52	67	25
AWF	General trust fund for the African-Eurasian Waterbirds Agreement	695	–	695	1 200	1 167	728
BAL	General trust fund for the African-Eurasian Waterbirds Agreement	281	–	281	246	259	268
BTL	General trust fund for the conservation of European bats	226	–	226	522	510	238
MSL	Trust fund for the Convention on the Conservation of Migratory Species of Wild Animals	1 118	–	1 118	3 942	3 312	1 748
QVL	Support of the secretariat of the Agreement on the Conservation of Small Cetaceans of the Baltic, North-East Atlantic, Irish and North Seas	111	–	111	30	16	125
QWL	Support of the Convention on the Conservation of Migratory Species of Wild Animals	247	–	247	3	–	250
SMU	Trust fund to support the activities of the secretariat of the memorandum of understanding on the conservation of migratory sharks	733	–	733	278	233	778
	Convention on the Conservation of Migratory Species of Wild Animals: total	**13 582**	**–**	**13 582**	**8 927**	**8 338**	**14 171**
CAL	Support of the Mediterranean Action Plan	952	–	952	(164)	394	394
QML	Support of the Mediterranean Action Plan	6 043	–	6 043	1 299	1 559	5 783
MEL	Trust fund for the protection of the Mediterranean Sea against pollution	7 245	–	7 245	6 878	6 003	8 120
	Mediterranean Action Plan: total	**14 240**	**–**	**14 240**	**8 013**	**7 956**	**14 297**
QNL	Support of the North-West Pacific Action Plan	2 077	–	2 077	1 292	892	2 477
PNL	General trust fund for the protection, management and development of the coastal and marine environment and the resources of the north-west Pacific region	1 242	–	1 242	573	549	1 266
	North-West Pacific Action Plan: total	**3 319**	**–**	**3 319**	**1 865**	**1 441**	**3 743**

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2017*	*Revenue*	*Expense*	*Net assets 31 December 2017*
QOL	Support of the activities of the Ozone Secretariat	111	–	111	1 082	944	249
MPL	Trust fund for the Montreal Protocol on Substances that Deplete the Ozone Layer	4 174	–	4 174	5 783	2 012	7 945
VCL	Trust fund for the Vienna Convention for the Protection of the Ozone Layer	1 967	–	1 967	623	762	1 828
SOL	General trust fund for financing activities on research and observations on the Vienna Convention for the Protection of the Ozone Layer	106	–	106	76	30	152
Ozone: total		**6 358**	**–**	**6 358**	**7 564**	**3 748**	**10 174**
QAC	Support for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the West, Central and Southern African Region	1 750	–	1 750	196	265	1 681
QAW	Support of the Action Plan for the Eastern African Region	120	–	120	8 333	53	8 400
QEL	Support of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	102	–	102	1	–	103
EAL	Regional seas trust fund for the eastern African region	727	–	727	337	(561)	1 625
ESL	Regional trust fund for implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	521	–	521	335	179	677
WAL	Trust fund for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the West, Central and Southern African Region	451	–	451	236	363	324
Regional seas: total		**3 671**	**–**	**3 671**	**9 438**	**299**	**12 810**
Conventions and protocols: total		**128 705**	**30**	**128 735**	**93 114**	**71 261**	**150 588**

18-10509 (E) 130818